Ministry of Sustainable Resource Development

2002-2003

Annual Report

Alberta

104-02487/

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ISSN: 1703-8634 (printed version)
ISSN: 1703-8642 (online version)

Public Accounts 2002-03 Preface

The Public Accounts of Alberta are prepared in accordance with the *Financial Administration Act* and the *Government Accountability Act*. The Public Accounts consist of the annual report of the Government of Alberta and the annual reports of each of the 24 Ministries.

The annual report of the Government of Alberta released June 24, 2003 contains the Minister of Finance's accountability statement, the consolidated financial statements of the Province and a comparison of the actual performance results to desired results set out in the government's business plan, including the *Measuring Up* report.

This annual report of the Ministry of Sustainable Resource Development contains the Minister's accountability statement, the audited consolidated financial statements of the Ministry and a comparison of actual performance results to desired results set out in the ministry business plan. This Ministry annual report also includes:

- **the financial statements of entities making up the Ministry including the Department of Sustainable Resource Development, regulated funds, and provincial agencies for which the Minister is responsible, and**
- **other financial information as required by the *Financial Administration Act* and *Government Accountability Act*, either as separate reports or as a part of the financial statements, to the extent that the Ministry has anything to report.**

Minister's Accountability Statement

The Ministry's Annual Report for the year ended March 31, 2003, was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as at September 12, 2003 with material economic or fiscal implications of which I am aware have been considered in the preparation of this report.

Mike Cardinal
Minister of Sustainable Resource Development

Message from the Minister

I am pleased to present Alberta Sustainable Resource Development's Annual Report for 2002-03.

Our Ministry is committed to ensuring that Alberta's fish, wildlife, land and forest resources benefit present and future Albertans. Since its creation in March 2001, one of our Ministry's top priorities has been to ensure that Alberta's resource development is balanced with wise resource management. We do this by considering the economic, environmental and social values of provincial land and minimizing industry's footprint on the environment.

An example of these values rests in our forestry sector. Forestry is the primary industry in more than 45 Alberta communities. As the steward of our forests, Alberta Sustainable Resource Development partners with industry to ensure it keeps adding to the Alberta Advantage. For instance, our government continued to work closely with industry on the softwood lumber dispute. Our objective is to continue working with all partners to develop a long-term solution.

In other challenges, last year was one of the worst fire seasons on record, and included the second largest fire in Alberta in the last 40 years. During the legislated fire season, we fought 1405 wildfires in the Forest Protection Area. We continued to promote fire prevention strategies like the FireSmart program and other public awareness campaigns. The fire growth computer-modelling program - Prometheus - was successfully used on two fires to assist fire suppression efforts by projecting fire behaviour and growth. During the year, we also monitored fire hazard conditions and issued regional fire bans and forest closures to help reduce the threat of fires and ensure the safety of Albertans.

To create a more manageable and economic fishing industry, licensing changes were introduced to reduce the number of commercial fishermen in Alberta. These licensing changes are part of the five-year implementation of the Improving Alberta's Fisheries initiative. We also responded to nearly 13,000 public complaints related to wildlife, including 1,616 incidents involving direct human conflict (primarily bears in inhabited areas) and almost 1,400 incidents involving damage to crops or livestock.

Forest pest infestations and wildlife disease presented us with challenges as well during 2002-03. We implemented strategies to monitor mountain pine beetle/spruce budworm infestations and chronic wasting disease (CWD), which became a significant concern when two cases of the disease were confirmed in northern Alberta.

Severe drought conditions also caused poor ranchland conditions and limited grazing times for ranchland animals. In response, we provided additional hay from areas typically not sourced for feed, and encouraged leaseholders to shorten their grazing times to counter the damage by the drought. This lowered the targeted utilization rate of the land for 2002, but was considered necessary to ensure long-term economic and environmental benefits.

I am pleased to lead a ministry that has made such significant progress in its early years, and I look forward to continuing to work with Albertans to ensure our valuable fish, wildlife, land and forest resources are enjoyed for generations to come.

M Cardinal

Mike Cardinal
Minister
Alberta Sustainable Resource Development

Management's Responsibility for Reporting

The Ministry of Sustainable Resource Development includes:

- Department of Sustainable Resource Development,
- Environmental Protection and Enhancement Fund,
- Natural Resources Conservation Board, and
- Surface Rights and Land Compensation Boards.

The executives of the individual entities within the Ministry have the primary responsibility and accountability for the respective entities. Collectively, the executives ensure the Ministry complies with all relevant legislation, regulations and policies.

Ministry business plans, annual reports, performance results and the supporting management information are integral to the government's fiscal and business plans, annual report, quarterly reports and other financial and performance reporting.

Responsibility for the integrity and objectivity of the consolidated financial statements and performance results for the Ministry rests with the Minister of Sustainable Resource Development. Under the direction of the Minister, I oversee the preparation of the Ministry's annual report, including consolidated financial statements and performance results. The consolidated financial statements and the performance results, of necessity, include amounts that are based on estimates and judgments. The consolidated financial statements are prepared in accordance with the government's stated accounting policies.

As Deputy Minister, in addition to program responsibilities, I establish and maintain the Ministry's financial administration and reporting functions. The Ministry maintains systems of financial management and internal control which give consideration to costs, benefits, and risks that are designed to:

- provide reasonable assurance that transactions are properly authorized, executed in accordance with prescribed legislation and regulations, and properly recorded so as to maintain accountability of public money,
- provide information to manage and report on performance,
- safeguard the assets and properties of the Province under Ministry administration,
- provide Executive Council, Treasury Board, the Minister of Finance and the Minister of Sustainable Resource Development any information needed to fulfill their responsibilities, and
- facilitate preparation of Ministry business plans and annual reports required under the *Government Accountability Act*.

In fulfilling my responsibilities for the Ministry, I have relied, as necessary, on the executive of the individual entities within the Ministry.

Dr. R.J. (Bob) Fessenden, Deputy Minister
September 12, 2003

Ministry Entities

The Ministry of Sustainable Resource Development is composed of the Department of Sustainable Resource Development (SRD), the Natural Resources Conservation Board (NRCB); the Surface Rights Board; the Land Compensation Board; and the Environmental Protection and Enhancement Fund (EPEF).

The Department

The department's core businesses are delivered through four line divisions: Forest Protection, Fish and Wildlife, Land and Forest, and Public Lands. The divisions are supported by Communications, Human Resources, Policy and Planning and Strategic Corporate Services.

Forest Protection Division	Assistant Deputy Minister (780) 427-3542
Fish and Wildlife Division	Assistant Deputy Minister (780) 427-6749
Land and Forest Division	Assistant Deputy Minister (780) 422-6800
Public Lands Division	Assistant Deputy Minister (780) 415-1396
Communications Division	Director (780) 427-8636
Human Resources	Executive Director (780) 422-9515
Policy and Planning	Executive Director (780) 427-3802
Strategic Corporate Services	Assistant Deputy Minister/ Senior Financial Officer (780) 422-8600

The Boards

The Minister of Sustainable Resource Development is responsible for the Natural Resources Conservation Board, the Surface Rights Board and the Land Compensation Board. These organizations operate at arm's length from the department and report directly to the Minister.

Natural Resources Conservation Board

Established in 1991, the Natural Resources Conservation Board (NRCB) supports the vision and mission of the Ministry by conducting independent, open and impartial public reviews of projects that may affect the natural resources of Alberta. Potential projects reviewed by the board include: forest industry projects; recreation and tourism

developments; metallic and industrial mineral projects; and water management projects for which an environmental impact assessment is required. This year was also the first full year of the NRCB's expanded mandate of regulating new or expanding Confined Feeding Operations (CFOs) and ensuring that all livestock operations are storing, processing and spreading manure in accordance with the regulations.

Key contact: Brady Whittaker - Acting Chair (780) 422-1666

Surface Rights Board

The Surface Rights Board is an arbitration board with four areas of responsibility:

- issuing Right of Entry Orders for oil and gas activity, power and telephone lines;
- determining compensation for a right of entry and reviewing rents every five years for Right of Entry Orders and Surface Leases;
- settling disputes and determining compensation for damages to the land of the leased or right of entry area; and
- recommending payments by the Minister of Finance where the operator defaults.

Key contact: Stan Schumacher - Chair (780) 427-6202

Land Compensation Board

The Land Compensation Board is responsible for initiating and implementing policies, legislative changes and rules of procedure for situations where a landowner's property must be expropriated by the Crown.

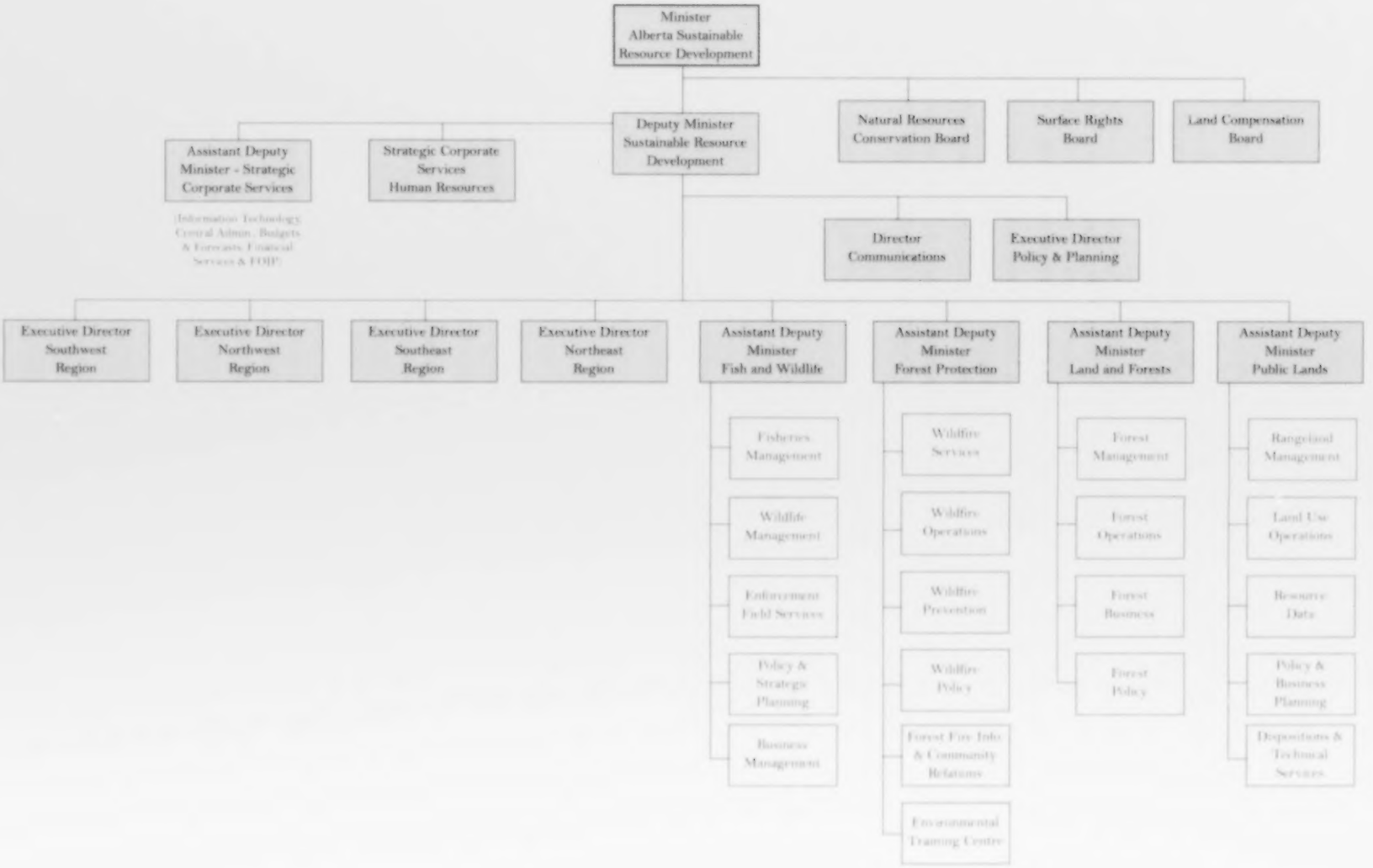
Key contact: Stan Schumacher - Chair (780) 427-6202

Environmental Protection and Enhancement Fund

The Environmental Protection and Enhancement Fund (EPEF) operates under the authority of the *Environmental Protection and Enhancement Act*. The fund is used for environmental emergencies and environmental protection or enhancement. The ministry contributes to the EPEF's revenues primarily through timber royalties and fees. SRD draws from the fund's Natural Resources Emergency Program to cover firefighting expenditures and, to a lesser degree, for its forest health and its intercept feeding and fencing programs.

Figure 1

Sustainable Resource Development



An Operational Overview

The Department of Sustainable Resource Development concentrates on five core businesses to achieve its mission of sustaining the benefits Albertans receive from public land and natural resources:

- **Forest Protection** protects the multiple values received from forests within the Forest Protection Area of the province by working cooperatively with municipalities, industry, and other stakeholders to prevent and suppress wildfires.
- **Forest Land and Resource Management** manages Alberta's forests and forest lands benefits to support a full range of uses and values to Albertans, including timber production, energy extraction, wildlife habitat, livestock grazing and recreational uses.
- **Fish and Wildlife Management** manages Alberta's fish and wildlife resources to preserve their intrinsic value to the environment as well as their recreational and economic importance to Albertans.
- **Rangeland Management** manages Alberta's public rangelands to support a full range of uses and values that include livestock grazing, energy extraction, recreational use, and wildlife habitat.
- **Land Use Disposition Management** ensures that dispositions are efficiently and effectively managed to reflect balanced use and stewardship of Alberta's public lands.

These five core businesses support the Government of Alberta's mandate of People, Prosperity and Preservation through stewardship of the economic, environmental, and social values derived from Alberta's crown lands and natural resources.

Key Factors Influencing Performance

The Ministry of Sustainable Resource Development faced a number of challenges in 2002-03 as a result of continued drought conditions, increased land-use pressures on crown land, threats from wildlife disease and ongoing international trade disputes.

Continuing drought conditions in Alberta during 2002-03 was a significant challenge on the delivery of all of the department's core businesses. Low precipitation levels caused 2002 to be Alberta's second driest year on record, and, despite a cold spring, many parts of Alberta experienced record high temperatures during June and July.[1] As a result, Alberta will reflect back on 2002-03 as a year with:

- increased wildfires and wildfire damage, with one of the worst fire seasons on record and the second largest fire in Alberta in the last 40 years, resulting in challenges to the department's ability to protect human life, communities and timber resources;
- increased occurrences of non-agricultural animals grazing on agricultural crops due to shortage of natural grazing;
- limited grazing due to poor rangeland grass growth; and
- increased infestations of forest pests such as mountain pine beetle and spruce budworm in forested areas.

In the past year, demands for access to public land continued to grow as a result of:

- rising numbers of industrial dispositions; and

- increasing recreational access (off-highway vehicles, random camping, etc.).

With significant occurrences of Chronic Wasting disease in Saskatchewan and parts of the United States, wildlife disease was a significant concern for the department. The disease was confirmed in a farmed elk and white-tailed deer in the northern part of Alberta.

The softwood lumber dispute with the United States continued to impact the Alberta forest industry throughout 2002-03.

In response to these challenges, SRD:

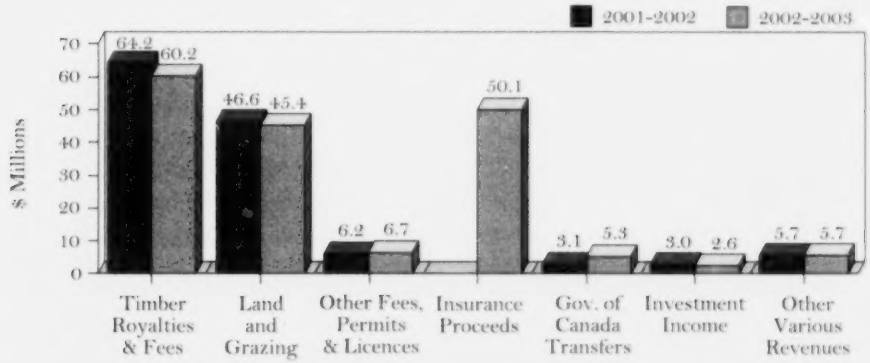
- Mitigated the significant hike in expenditures brought about by severe fire seasons by entering into an agreement to assist in the stabilization of wildfire expenditures. The Wildfire Reinsurance Program is the first of its kind in North America.
- Implemented the recommendations from the Chisholm Fire Review Committee Report, by:
  - creating a Forest Fire Information and Community Relations Branch;
  - introducing the Incident Command System (ICS) to manage wildfire suppression activities, and
  - hiring Wildland Urban Interface Coordinators to bridge communications and activities between SRD's wildland firefighting staff and municipality structural firefighting staff.
- Encouraged rangeland leaseholders to protect the long term viability of range resources from drought damage by shortening their grazing season. SRD staff conducted a proactive communications program to provide leaseholders with information, as well as assisting individual leaseholders to develop grazing management plans. Further assistance was provided to leaseholders by issuing emergency grazing and haying authorizations.
- Implemented a mountain pine beetle management strategy that included intensive ground surveys, destruction of any infested trees and partnerships with Parks Canada, Canadian Forest Service, Community Development, Transport Canada, local municipalities and the forest industry to prepare for possibly larger infestations in 2003. The department also maintains a diligent monitoring and treatment program for signs of the spruce budworm.
- Adapted processes to minimize the industrial footprint on the landscape, such as:
  - developing a strategy for mitigating consultation access issues;
  - cooperating with Alberta Agriculture, Food and Rural Development to implement the *Agriculture Operating Practices Act* through the Natural Resource Conservation Board;
  - facilitating joint Forest Management Agreements to promote integrated planning on the allocated land base; and
  - implementing the Bighorn access management plan and initiating another detailed consultation process to develop a land access management plan for the Ghost-Waiparous area north west of Cochrane.
- Responded quickly to address the wildlife disease challenge in 2002-03. SRD implemented a sampling and monitoring program for chronic wasting disease and West Nile virus to track impacts on Alberta's wildlife resources. In addition to testing wildlife harvested by the department, SRD also garnered support from hunters to provide samples of their harvests as well.
- Worked closely with International and Intergovernmental Relations, other provincial governments, the federal government, and Alberta's forest industry to work towards solutions to the softwood lumber dispute. The outcome of this issue will influence the long-term strategic vision, direction, strategy and policies for Alberta's forest industry.

Financial Highlights

Revenue:

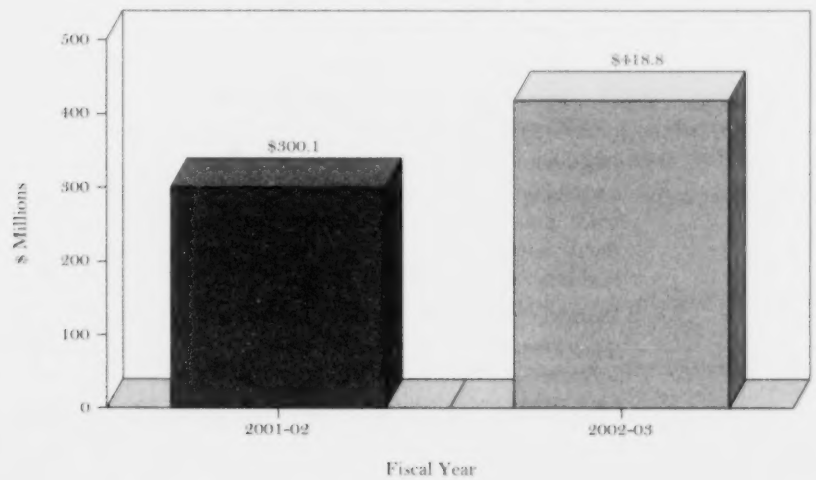
The Ministry of Sustainable Resource Development is a significant generator of revenue for the Government of Alberta, which are in turn used to fund Albertan's priorities. Revenue increased by over one third (37%), from $129 million in 2001-02 to $176 million in 2002-03.

The reason for the increase was due to the department collecting $50.1 million in Insurance Proceeds that resulted from a new Wildfire Reinsurance Program introduced during the year for the first time. This offset modest declines in revenue from Timber Royalties and Fees (down $4.0 million) and Land and Grazing (down $1.2 million).



Expenses:

The Ministry's 2002-03 expenses of $418.8 million exceeded the 2001-02 expenses by $118.7 million. This increase was primarily due to a severe fire season, and to a lesser degree, the expansion of NRCB's mandate to include Confined Feeding Operations.



Deputy Minister's Message

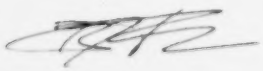
We have worked diligently for the past two years to develop the department and the Ministry. Our operational successes have been many, as outlined in this annual report. These successes come from a team of dedicated professionals that are passionate about the stewardship of public lands and renewable resources - and that strive for excellence in their work.

Building the department has consisted of a number of phases:

- Getting the fundamentals in place (vision, mission, core businesses and structure);
- Getting the right business processes in place (performance management framework, divisional business processes and corporate business processes); and
- Fostering leadership and team development.

While the right fundamentals and business processes are prerequisite to building a great organization, the people processes and people within the organization are vital to building and sustaining success. People processes include not only traditional human resource issues but also, communication, culture and attitudes. During 2002-03 we initiated a senior management leadership initiative under the facilitation /coaching guidance of the Innovation Expedition. Under this initiative, we are also utilizing the "Good to Great" framework by Jim Collins with an aim of developing leadership and performance coaching and recognition processes throughout all levels of our organization.

I am confident that with a strong foundation of business processes in place and through continued engagement and attention to our people, SRD will become a world-class organization in the stewardship of public land and natural resources.



Dr. R.J. (Bob) Fessenden
Deputy Minister
Alberta Sustainable Resource Development

AUDITOR GENERAL
Alberta

Report of the Auditor General on the Results of Applying Specified Auditing Procedures to Performance Measures

To the Members of the Legislative Assembly

In connection with the Ministry of Sustainable Resource Development's performance measures included in the *2002-2003 Annual Report of the Ministry of Sustainable Resource Development*, I have:

1. Agreed information from an external organization to reports from the organization.
2. Agreed information from reports that originated from organizations included in the consolidated financial statements of the Ministry to source reports. In addition, I tested the procedures used to compile the underlying data into the source reports.
3. Checked that the presentation of results is consistent with the stated methodology.
4. Checked that the results presented are comparable to stated targets, and information presented in prior years.
5. Checked that the performance measures, as well as targets, agree to and include results for all of the measures presented in Budget 2002.

As a result of applying the above procedures, I found no exceptions. These procedures, however, do not constitute an audit and therefore I express no opinion on the performance measures included in the *2002-2003 Annual Report of the Ministry of Sustainable Resource Development*.

FCA
Auditor General

Edmonton, Alberta
August 1, 2003

Overview of Results Analysis

The results analysis section is organized according to the major operating entities within the Ministry, and provides an integrated analysis of performance measures and financial data highlights. The focus of Part One is the Department of Sustainable Resource Development (SRD), while Part Two focuses on performance for the Natural Resource Conservation Board (NRCB).

The Minister of Sustainable Resource Development is also responsible for the Land Compensation Board and the Surface Rights Board. The key results of these entities are reported under a separate process outlined in the *Surface Rights Act*. The reports are submitted directly to the Minister in January of each year.

The Environmental Protection Enhancement Fund (EPEF) is discussed in relationship to the delivery of programs through the core businesses, rather than as a distinct entity.

Part One:

The Department of Sustainable Resource Development Core Businesses, Goals and Measures

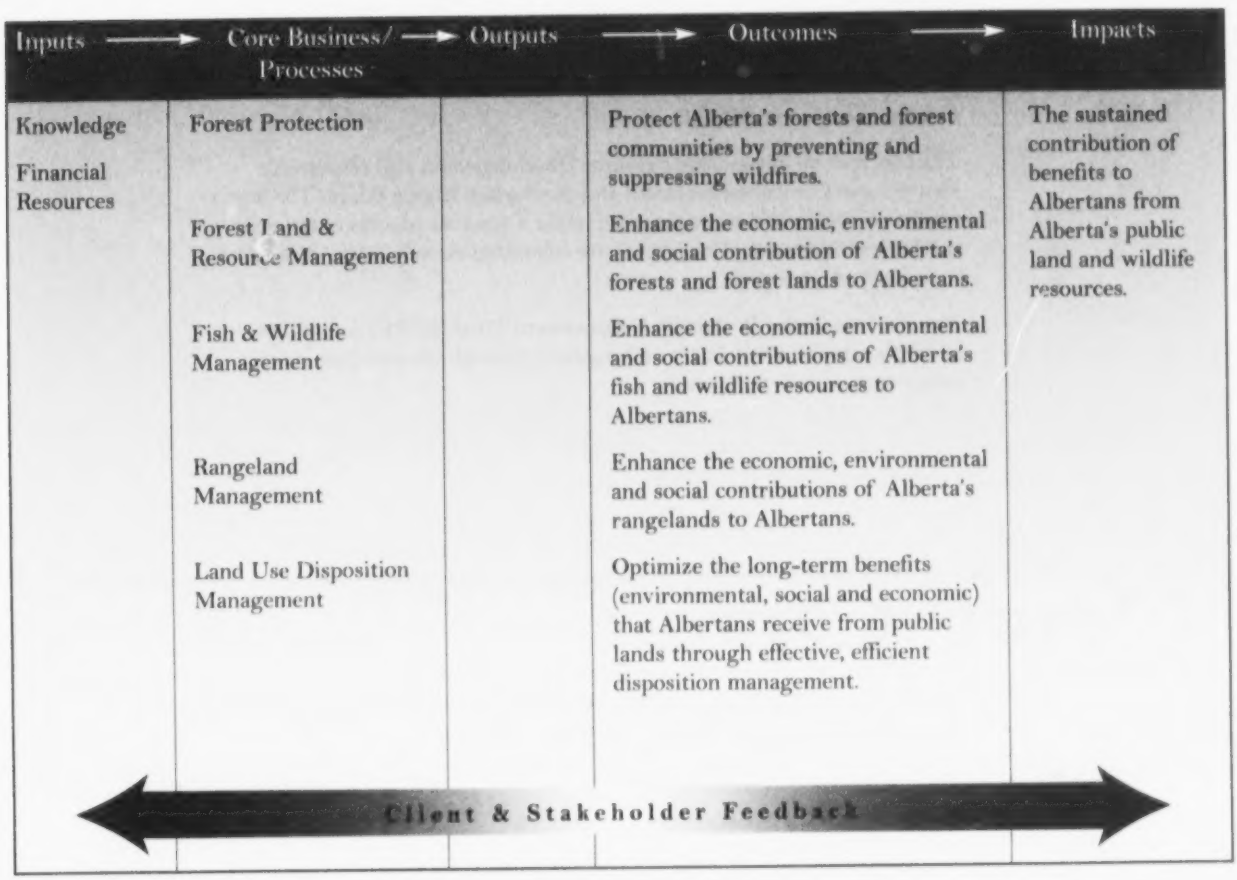
The Performance Management Framework

The department uses a program logic model approach to link core business activities with measuring success. As shown in following diagram (from the 2002-05 Business Plan), the framework classifies measures as either output or outcome:

- Output Measures reflect directly on the performance of the department. These measures are essential to management decision-making. Through department initiatives and activities, specific results (outputs) are achieved that in turn contribute to the desired impact.
- Outcome Measures reflect changes in the state of the world (external to the department) toward the desired goal or impact. While these changes may not be entirely attributable to the department's activities, these changes bridge the relationship between department's activities and the desired impact.

Figure 2

The Performance Management Framework


Inputs
Core Business/ Processes
Outputs
Outcomes
Impacts
Knowledge
Financial Resources
Forest Protection
Forest Land & Resource Management
Fish & Wildlife Management
Rangeland Management
Land Use Disposition Management
Protect Alberta's forests and forest communities by preventing and suppressing wildfires.
Enhance the economic, environmental and social contribution of Alberta's forests and forest lands to Albertans.
Enhance the economic, environmental and social contributions of Alberta's fish and wildlife resources to Albertans.
Enhance the economic, environmental and social contributions of Alberta's rangelands to Albertans.
Optimize the long-term benefits (environmental, social and economic) that Albertans receive from public lands through effective, efficient disposition management.
The sustained contribution of benefits to Albertans from Alberta's public land and wildlife resources.
Client & Stakeholder Feedback

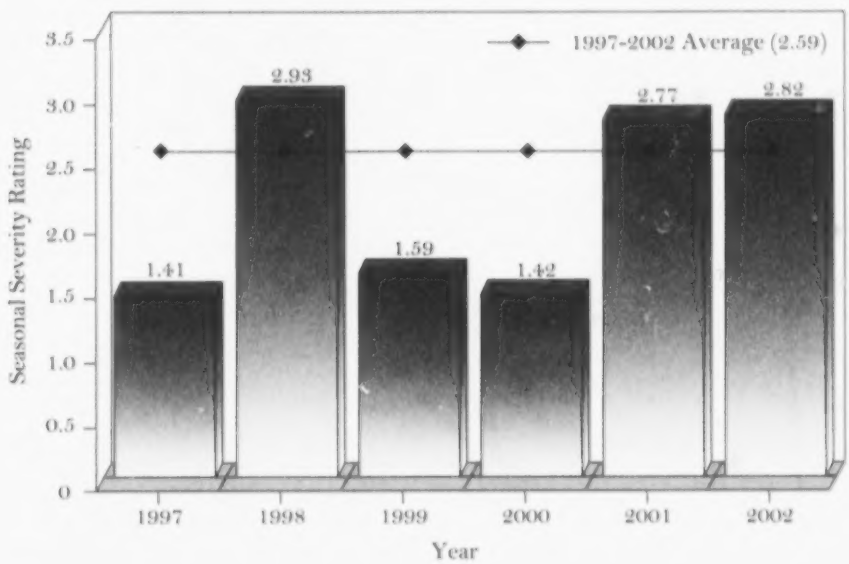
Core Business: Forest Protection

Goal: Protect Alberta's forests and forest communities by preventing and suppressing wildfires.

2002-03 proved to be another challenging year for SRD's forest protection core business. The fire season exceeded that of the previous year in terms of challenges, complexity and expenditures. For the third year in a row, the fire season started a month early on March 1, and continued well past the typical ending date of October 31. As illustrated in Figure 3, the Seasonal Severity Rating (SSR), which analyses fire weather severity, increased by 2%.[2] There were 1,405 wildfire starts during the April to October fire season, which represented an increase of 55% from 2001-02.[3] Of the 49 wildfires that escaped, 21 and 28 of them grew into D and E class fires respectively.[4] The total cost of these D and E class wildfires was $121.8 million. Examples of these fires included the House River, Talbot Lake, Fox Lake, Meyers Land and Keg River fires.[5] The House River fire was the second largest wildfire fire fought by the department in over 40 years. It burned for over 10 months, encompassing close to 250,000 hectares, and required just over 1,000 firefighters at a time to contain it.[6]

Figure 3

1997-2002 Seasonal Severity Rating



Class D wildfires are those wildfires that range between 40.1 hectares and 200.0 hectares in size.

Class E Wildfires are those wildfires that reach 200.1 hectares or greater.

Figure 2

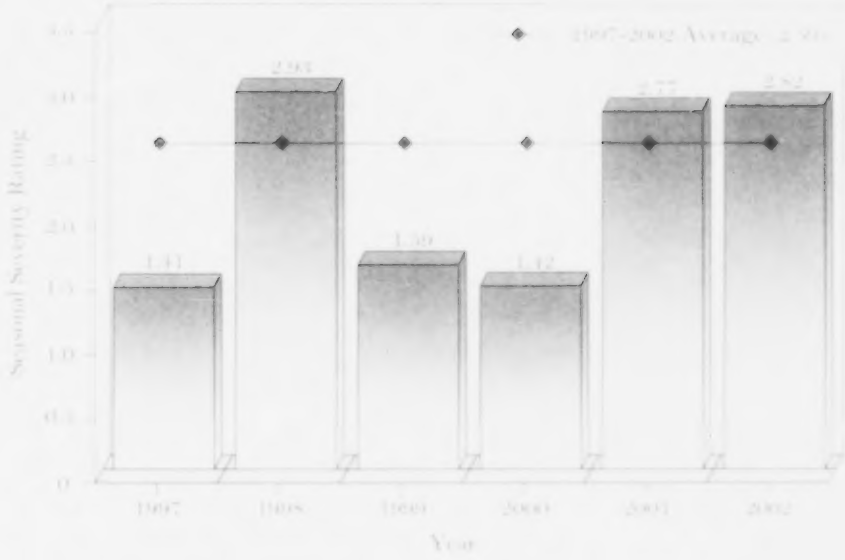
The Performance Management Framework

Inputs →	Core Business/ Processes →	Outputs →	Outcomes →	Impacts
Knowledge Financial Resources	Forest Protection		Protect Alberta's forests and forest communities by preventing and suppressing wildfires.	The sustained contribution of benefits to Albertans from Alberta's public land and wildlife resources.
	Forest Land & Resource Management		Enhance the economic, environmental and social contribution of Alberta's forests and forest lands to Albertans.	
	Fish & Wildlife Management		Enhance the economic, environmental and social contributions of Alberta's fish and wildlife resources to Albertans.	
	Rangeland Management		Enhance the economic, environmental and social contributions of Alberta's rangelands to Albertans.	
	Land Use Disposition Management		Optimize the long-term benefits (environmental, social and economic) that Albertans receive from public lands through effective, efficient disposition management.	

Client & Stakeholder Feedback

Figure 3

1997-2002 Seasonal Severity Rating



Class D wildfires are those wildfires that range between 40.1 hectares and 200.0 hectares in size.

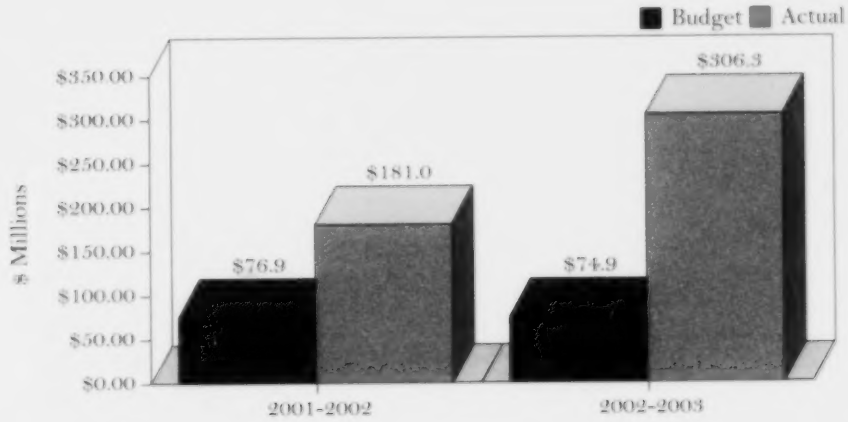
Class E Wildfires are those wildfires that reach 200.1 hectares or greater.

To respond to these challenges in the 2002 fire season, SRD required an additional funding over the $74.9 million normally allocated for this core business. As experienced in previous years, SRD required additional funding to effectively contain and suppress wildfires in the Forest Protection Area.

Figure 4

Forest Protection Expenditure Analysis

(unaudited)



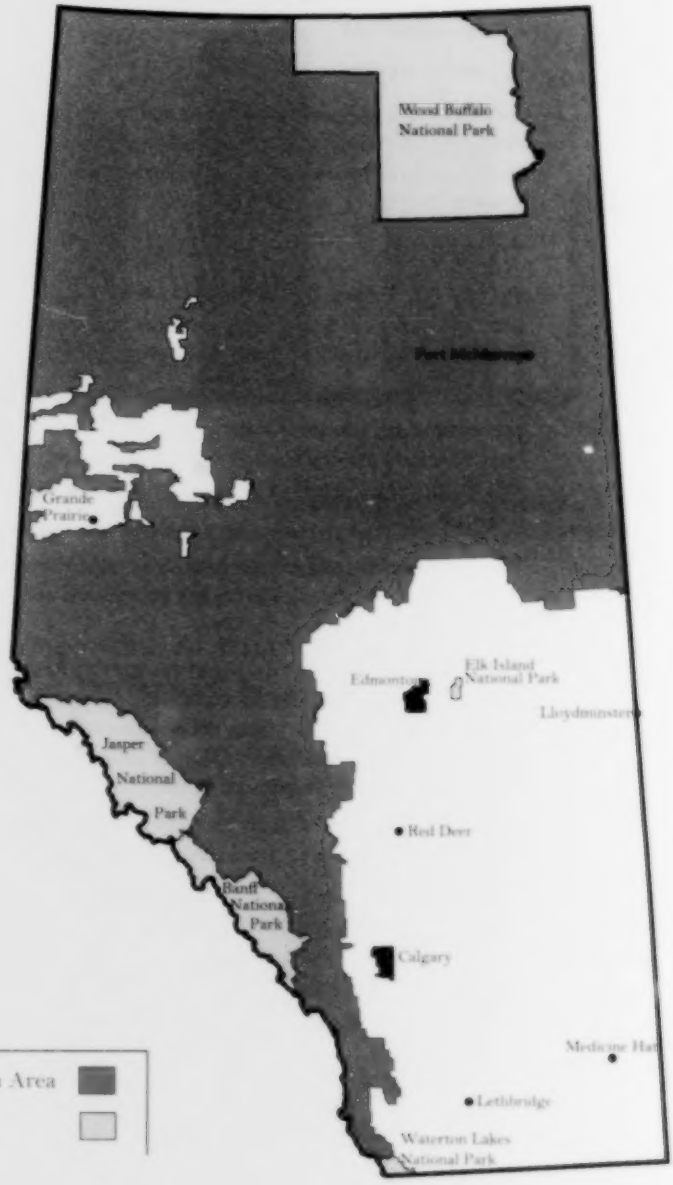
Note: Expenditure data includes allocated ministry support services.

SRD works with the public, municipalities, industry and other stakeholders to protect human life, communities, and other values at risk from wildfires. There are 39.3 million hectares in the Forest Protection Area (FPA), which represents 59% of Alberta's total land base.[7] To effectively protect such a large land base, SRD used a three-pronged strategic approach in 2002-03:

- preparedness,
- wildfire management and
- wildfire reinsurance.

Figure 5

Alberta's Forest Protection Area



Firefighting Resource Allocation Priorities

1. Protection of human life
2. Protection of communities
3. Protection of sensitive watersheds and soils
4. Protection of natural resources
5. Protection of infrastructure

Figure 5

Alberta's Forest Protection Area

Firefighting Resource Allocation Priorities

1. Protection of human life
2. Protection of communities
3. Protection of sensitive watersheds and soils
4. Protection of natural resources
5. Protection of infrastructure

Preparedness

The department's wildfire program starts with preparedness. Preparedness includes activities that assist in:

- prevention;
- readiness;
- detection; and
- early response.

By promoting actions that prevent and or minimize forest fires, SRD protects values that are at risk while ensuring future benefits from these values can be realized. Preparedness also entails an effective policy framework that supports these activities and the overarching forest protection goal.

Prevention

On average, 40% of the wildfires started in the FPA each year are a result of human activity, hence the need for increased awareness and education to those accessing or living in the FPA.[8] It is also easier and less costly to prevent wildfires rather than suppress them.

FireSmart is the leading program SRD uses to deliver much of the department's fire prevention and educational program. Over 55,000 FireSmart Homeowner manuals and approximately 700 videos were distributed to municipalities and the public in 2002-03.[9] Wildland Urban Interface projects to reduce flammable vegetation were initiated in 30 communities.[10]

Due to the severe and extreme drought conditions that were present in 2002-03, SRD implemented several additional key prevention activities to reduce the risk of human-caused fire starts:

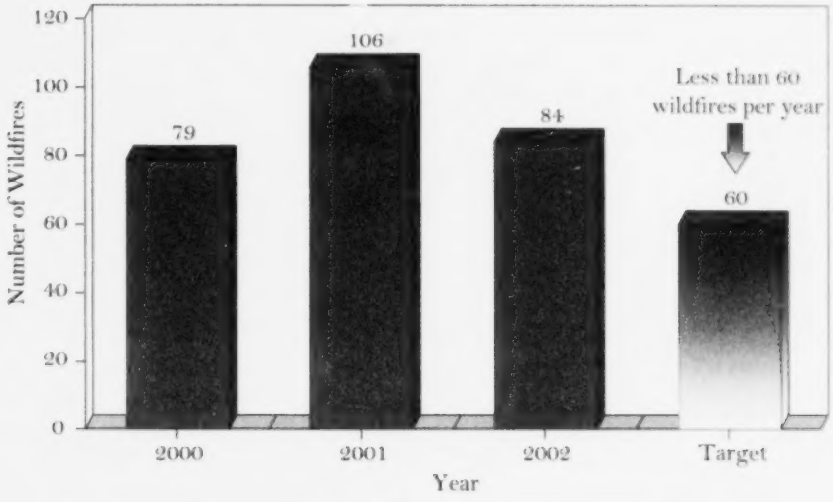
- implementation of two forest closures around the perimeter of the House River wildfire during May and June of 2002–this reduced the risk of human-caused wildfire and protected the public from the wildfire suppression activities and unpredictable fire behavior conditions. At the same time, the location of various industry and commercial recreation personnel were monitored in the event an evacuation was warranted;
- implementation of four fire bans in the Forest Protection area of varying duration between May 16 and July 17 across 62% of the province; and[11]
- provision of 24-hour fire weather forecasts to industry and Albertans located in the FPA.

While SRD successfully decreased the number of industry caused forest fires from the previous year (down 21%, from 106 in 2001 to 84 in 2002), the number of human caused fires increased by nearly one half (from 297 in 2001 to 443 in 2002).[12] This increase was mainly attributed to the high SSR highlighted earlier and increased human activity in the FPA during the fire season.

Figure 6

Number of Industry Caused Wildfires within Alberta's Forest Protection Area

Performance Measure

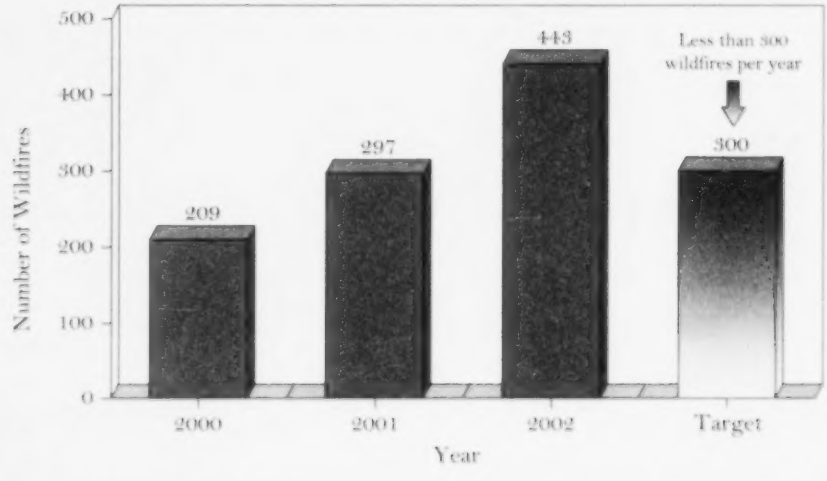


Note: Performance data is based on the legislated forest fire season (April 1 to October 31). For further details, see the section on data sources and methodology.

Figure 7

Number of Human Caused Wildfires within Alberta's Forest Protection Area

Performance Measure



Note: Performance data is based on the legislated forest fire season (April 1 to October 31). For further details, see the section on data sources and methodology.

Readiness

Readiness is the second component to the department's wildfire preparedness strategy. With severe drought creating ideal fire conditions in 2002-03, the department undertook a number of actions to ensure that SRD's operations were ready to respond to fires:

- monitored wildfire conditions in the FPA. As a result communities were evacuated, or placed on evacuation alert, due to the risk of wildfire;
- hired Wildland Urban Interface Coordinators to bridge communications and activities between SRD's wildland firefighting staff and municipality structural firefighting staff;
- developed a Municipal Wildfire Assistance Program, in conjunction with Alberta Municipal Affairs, to provide financial assistance to municipal districts and counties with fire suppression activities (to be implemented in 2003-04); and
- used tools such as Mutual Aid Fire Control Agreements and Plans; training courses for Initial Fire Operations in the Wildland/Urban Interface; and FireSmart Community Wildland Urban Interface Plans to work with Alberta Municipalities.

Detection

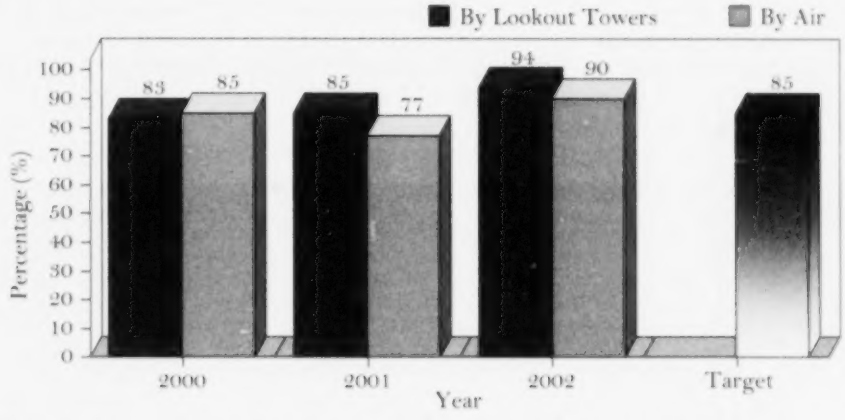
Detection is the third component of SRD's wildfire preparedness strategy. Weather conditions created a high potential wildfire season in 2002-03. Through increased vigilance by a surveillance network of 131 fire lookout towers and increased aerial surveying activities, the department improved its ability to rapidly detect wildfires before they began to spread. As a result, SRD exceeded its business plan targets on detection and reporting, and surpassed 2001-02 performance.

- Lookout towers and aerial surveys detected 94% and 90% of wildfires respectively, before they grew beyond 0.1 hectares in size (this target is used based on the premise that wildfires become visible near this size).[13]
- Nearly all wildfires detected by lookout towers and aerial patrols were reported within 5 minutes or less (98% and 100%, respectively).[14]

Figure 8

Percentage of Wildfires Detected Within 0.1Hectares or Less

Performance Measure

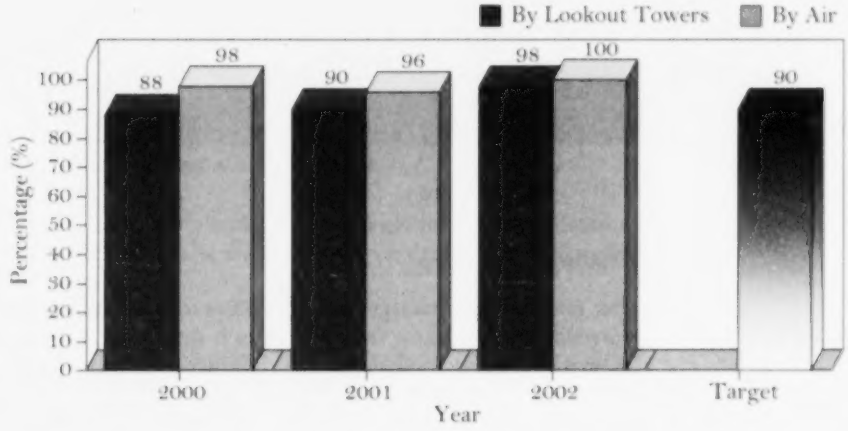


Note: Performance data is based on the legislated forest fire season (April 1 to October 31). For further details, see the section on data sources and methodology. Percentages are not additive; they are distinct success rates for each method of detection.

Figure 9

Percentage of Wildfires Reported within 5 Minutes or Less

Performance Measure



Note: Performance data is based on the legislated forest fire season (April 1 to October 31). For further details, see the section on data sources and methodology. Percentages are not additive; they are distinct success rates for each method of detection.

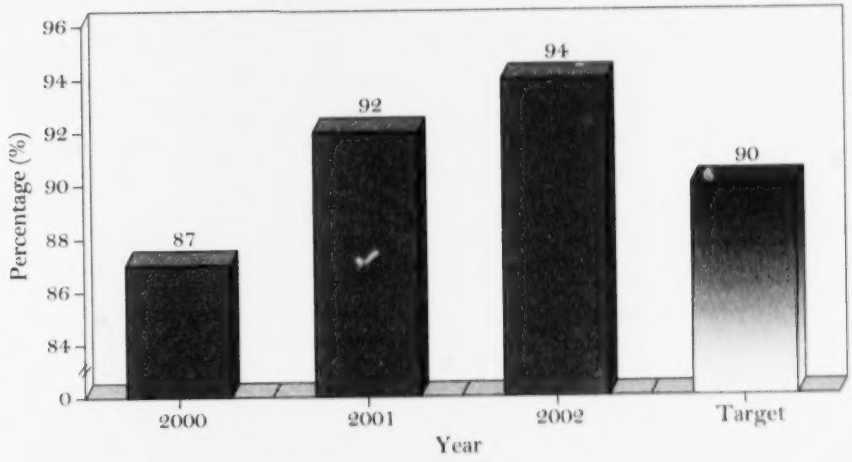
Early Response

Early response to wildfires is the fourth component of SRD's wildfire preparedness strategy. The target for initial action on a fire is before it reaches two hectares in size; beyond two hectares there is a substantial increase in fire intensity, a greater resistance to control, and a greater chance of the fire accelerating from a surface to a crown fire. By improving the department's detection rates in 2002, SRD was able to continue the positive four-year trend in early response. In 2002, 94% of the 1,310 detected wildfires were actioned while still within the two-hectare boundary.[15]

Figure 10

Percentage of Wildfires Actioned Before They Reach 2.0 Hectares in Size

Performance Measure



Note: Performance data is based on the legislated forest fire season (April 1 to October 31). For further details, see the section on data sources and methodology.

Wildfire Management

After preparedness, management of wildfire is the second strategic direction of SRD's forest protection core business. Once a wildfire is detected and actioned, the department works towards containing it within the first burning period (see definition in data sources and methodology section) and containing the size of the fire at 4.0 hectares or less. Historical data suggests that a containment target of four hectares or less tends to reduce fire loss and suppression costs.

SRD employs assistance and resources from other neighboring jurisdictions in Canada and the United States through the Mutual Aid Resource Sharing agreement to assist the department in maximizing its capabilities to conduct wildfire management. During the 2002 fire season, SRD brought in over 1,400 personnel and twenty air tankers from other jurisdictions to assist in containing those wildfires that grew beyond departmental capabilities.[16]

The department implemented innovative ways to fight fires by utilizing the latest information technology tools such as *Prometheus*, a computer-modeling program used to project fire behavior and expected fire perimeter growth.

SRD was able to match its performance of 2001, containing 92% of all wildfires at 4.0 hectares or less. This performance exceeded the business plan target of 90% and continued the positive performance trend line of the past four years for containment.[17] The percentage of wildfires contained within the first burning period in 2002 was 88%, a slight decrease from the previous year's performance result (92%), but still above the business plan target of 85% (Figure 11).[18]

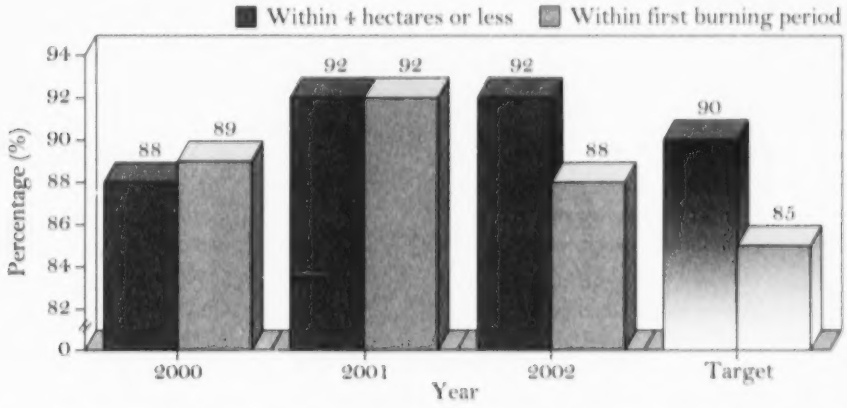
Prometheus: a World Class Fire Management Tool

Prometheus is a fire growth model that provides operations and strategic assessments of spatial fire potential. SRD is now the lead of the project in collaboration with the Canadian Interagency Forest Fire Centre (CIFFC). In 2002 Prometheus was used operationally for the first time on a wildfire in Canada on the 2002 House River and Talbot Lakes fires in Alberta. *Prometheus* increases the cost-effectiveness of fire suppression, designs future desired FireSmart landscapes and plans for the use of prescribed fire.

Figure 11

Percentage of Wildfires Contained at 4.0 Hectares or Less In Size and Within the First Burning Period

Performance Measure



Note: Performance data is based on the legislated forest fire season (April 1 to October 31). For further details, see the section on data sources and methodology.

Wildfire Reinsurance

The final aspect of the department's forest protection strategic direction involves stabilizing expenditure spikes resulting from severe fire seasons, such as 2002. First of its kind in North America, the Wildfire Reinsurance program required four "triggers" or circumstances to be met in order to initiate a payout. The 2002 fire season met these four triggers, resulting in a $50.1 million insurance payout to the province.

The four triggers for the Wildfire Reinsurance Program:

• 1,350 wildfires; • expenditures in excess of $175 million;
• 150,000 hectares burned; and • head fire intensity (equal to or greater than 25%).

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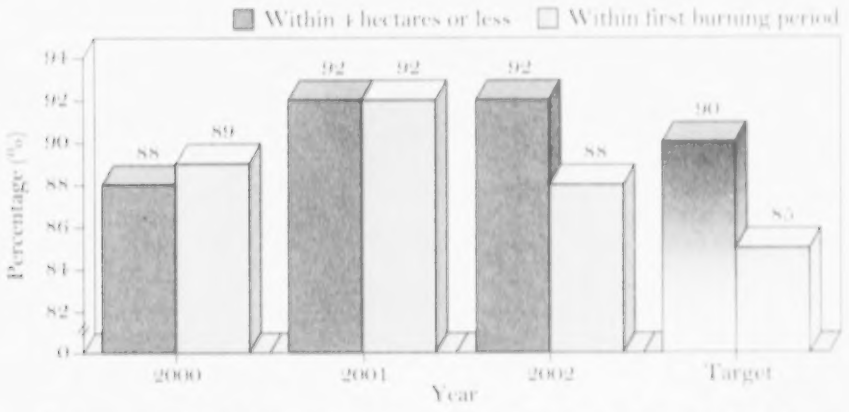

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Core Business: Forest Land and Resource Management

Goal: Enhance the economic, environmental and social contributions of Alberta's forests and forest lands resources to Albertans.

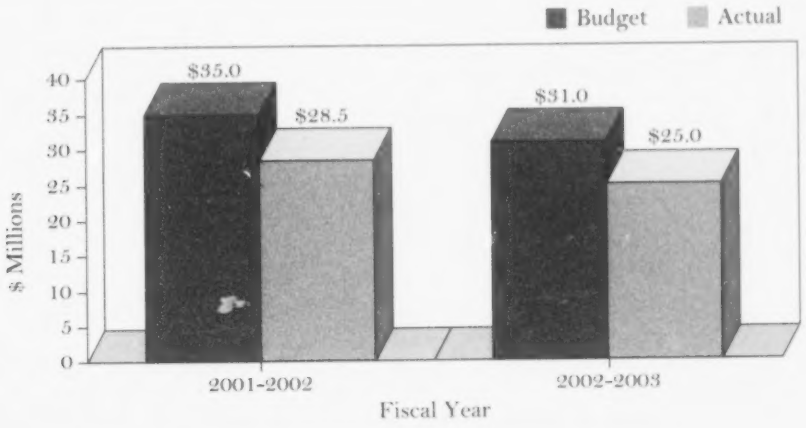
During 2002-03, Alberta's forest industry had to address increased threats to the health of the forest as well as growing pressure from the international trade community. The warmer temperatures of the past few winters created an ideal environment for pests, such as the mountain pine beetle and spruce budworm to flourish. In the summer of 2002, the mountain pine beetle outbreak in Banff National Park expanded into the Canmore-Bow Valley areas, causing concerns in all levels of government. The ongoing softwood lumber dispute with the United States continued to pose a challenge to maintaining the value received for Alberta's forest products.

In order to support the programs associated with this core business, the department spent $25.0 million, down slightly from the previous year's expenditure of $28.5 million.

Figure 12

Forest Land and Resource Management

Expenditure Analysis (unaudited)



Note: Expenditure data includes allocated ministry support services.

To manage the challenges outlined above while achieving the goal of the Forest Land and Resource Management core business, SRD:

- provided a clear, balanced forest policy, legislation, and regulatory framework;
- increased the value of Alberta's forest products through unleashing innovation, competing in the global marketplace, leading in learning and strengthening Alberta's economy;
- protected forest health through effective detection and management strategies with shared responsibility with industry and municipal and federal governments; and
- encouraged sustainable forest management planning and practices.

Through the forest policy framework, SRD reviewed relevant Alberta forest management policies and assessed anticipated risks associated with the potential changes suggested in the resolution by the United States Department of Commerce (DOC) over the softwood lumber dispute. The department supported Alberta International and Intergovernmental Relations in discussions with the Canadian federal government, other provinces, and the forestry industry in Alberta to develop a common understanding of forest management issues raised by the DOC. SRD also assembled databases to provide factual information to investigators.

To assist in offsetting damages from the Softwood Lumber dispute, the department participated in the International Forest Partnership Program (an initiative of the Canadian Council of Forest Ministers (CCFM)). This participation provided SRD and Alberta forest companies the opportunity to host representatives from key forestry importing nations, and allowed Alberta forest companies to develop further market opportunities. In 2002-03 delegations from Japan and the United Kingdom toured forest-manufacturing facilities in the province.

Through the provision of the policy, legislative and regulatory framework SRD undertook several other initiatives in 2002-03:

- updated the Forest Resource Improvement Regulation to extend the term of the Forest Resource Improvement Association of Alberta (FRIAA) to 2009. FRIAA, a delegated administrative organization, manages forest improvement programs, such as the Forest Resource Improvement Program, the Wildfire Reclamation from 1998 fires and the Community Reforestation Program;
- issued over 50 warnings and assessed over 50 administrative penalties to companies, the latter totaling more than $150,000 related to both the Forests and the Public Lands Acts during 2002-03.[19] The department continued to work with industry and stakeholders to encourage awareness and understanding of the policies, legislation and regulations guiding public resource management in Alberta;
- developed linkages between the Timber Production and Revenue System and the Corporate Accounting & Reporting System. The linkages were created to respond to concerns in the Annual Report of the Office of the Auditor General 2001-2002. The new interface improves the department's ability to collect the royalties owing for the use of the timber resource and to action delinquent accounts before the two-year expiry limit established by the *Financial Administration Act*; and
- developed a Fire Salvage Strategy Framework to ensure consistency and fairness in the implementation of fire salvage planning and operations. Based primarily on existing regulations, the framework addresses concerns regarding sustainable forest management and the viability of the industry, such as allocation, reforestation, fire salvage planning, and timber dues.

Through the implementation of the department's forest health strategy, SRD was able to respond to the challenge of the Mountain Pine Beetle outbreak by:

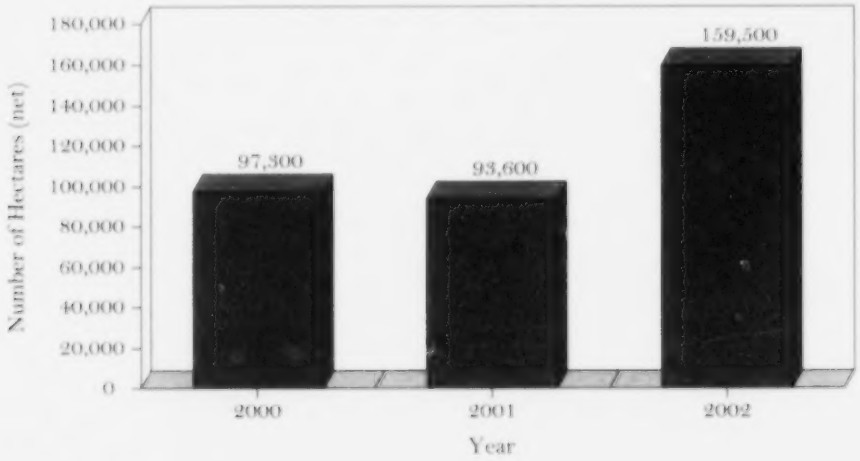
- implementing a mountain pine beetle management strategy that called for intensive ground surveys and destruction of any infested trees. 785 trees were destroyed and an additional 224 were harvested for sanitation;[20]
- erecting highway signs along the boundaries of British Columbia, Saskatchewan and United States to prevent any infested log and firewood from entering the province;
- requesting Alberta Transportation enforce guidelines that restricted the pine log movement into Alberta from neighboring jurisdictions; and

- working with Parks Canada, Canadian Forest Service, Community Development, local municipalities and the forest industry to prepare for larger infestations in 2003.

The spruce budworm outbreaks in northern Alberta also continued to expand. In 2002, approximately 159,500 hectares (net) had moderate/severe defoliation by the spruce budworm, which is an increase of 70% from 2001.[21] The outbreaks are expected to expand in 2003. SRD will continue to monitor and treat for signs of this pest.

Figure 13

Number of Hectares with Moderate/Severe Defoliation (net) by Spruce Budworm



SRD encourages Alberta's forest industry to achieve sustainable forest management by employing adaptive planning and practices. In 2002-03 the department undertook a reforestation compliance initiative through the implementation of the Alberta Reforestation Information System (ARIS). The focus of the ARIS is to ensure reforestation compliance with the timber management regulations that mandate treatment and regeneration monitoring. The building and maintenance of a provincial digital dataset that tracks both harvesting activities and reforestation success is critical to sustainable forestry in Alberta.

Another key to a sustainable forest industry is the concept of joint Forest Management Agreements. In 2002-03, SRD signed the first two joint Forest Management Agreements in Alberta (Footner Forest Products and Tolko Forest Products in High Level, and Tolko Forest Products and Buchanan in High Prairie) to improve business opportunities and efficiencies in the forest products industry. These joint forest management plans will lower administrative costs and allow for integrated planning on the allocated land base.

A forest health website was created to provide up-to-date information and pest forecasts to all interested stakeholders. The website can be found at:

http://www3.gov.ab.ca/srd/forests/health

SRD is also working with the Alberta Forest Products Association and Canadian Forest Service to develop an integrated pest management strategy in 2003-04.

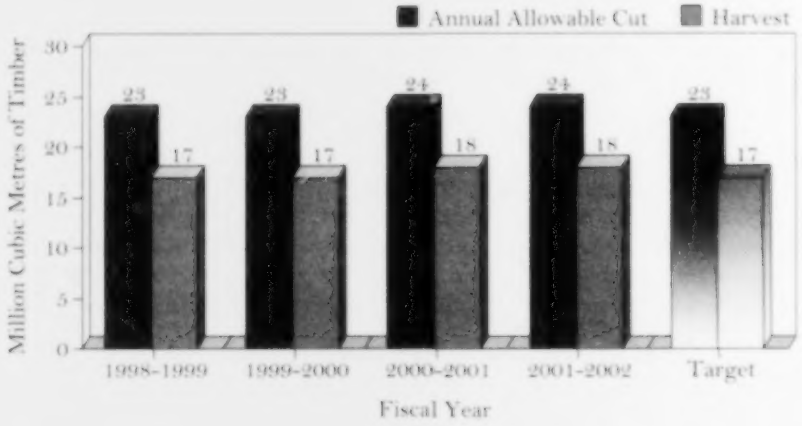
To measure the success of sustainable forest management practices, the department monitors the relationship between timber harvest and the long-term sustainable annual allowable cut (AAC) in the province. To maintain sustainability, forest harvest levels must not exceed the AAC.

In 2001-02, SRD allocated 24 million cubic metres for the AAC, while approximately 18 million cubic meters were harvested. The six million cubic meter gap from previous years continued in 2001-02.

Figure 14

Timber Sustainability

Performance Measure



Note: There is a one-year delay in the reporting of this data. The method of reporting timber sustainability has changed since its appearance in the 2001-04 Business Plan. Timber sustainability is reported as a five-year rolling average, rather than an annual average. This change ensures consistency in reporting of this measure between the Ministry's annual report and Measuring Up, the Government of Alberta's annual report. In addition, a five-year rolling average better reflects how harvest volumes are regulated. For further details, see section on data sources and methodology.

Core Business: Fish and Wildlife Management

Goal: Enhance the economic, environmental and social contributions of Alberta's fish and wildlife resources to Albertans.

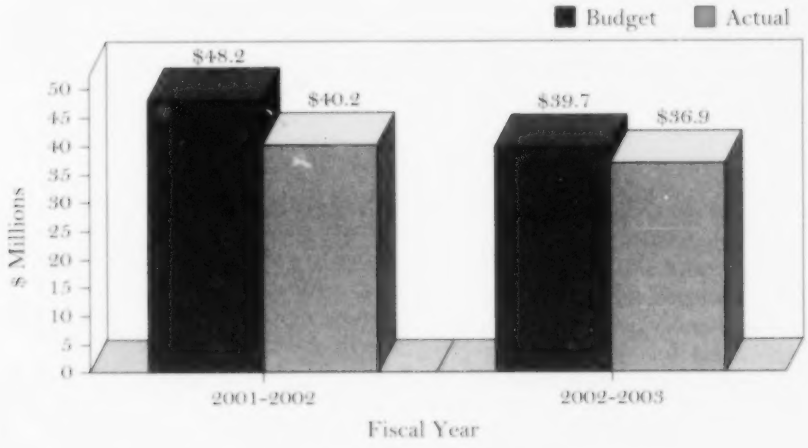
In 2002-03, the core business of fish and wildlife management dealt with several challenges:

- a growth in wildlife diseases (chronic wasting disease, west nile virus and whirling disease) that required constant monitoring and regular information updates to the concerned public;
- an increase in human-animal interactions, including vehicle collisions and ungulate damage on crops; and
- an ongoing need for up-to-date fish and wildlife management plans due to growing demands for these resources.

The department spent $36.9 million in 2002-03, on this core business down slightly from $40.2 million in 2001-02.

Figure 15

Fish and Wildlife Management Expenditure Analysis (unaudited)



Note: Expenditure data includes allocated ministry support services.

To address the challenges and continue to deliver on the core business of Fish and Wildlife Management, SRD:

- provides a clear, balanced policy, legislative and regulatory framework;
- makes allocation and licensing decisions according to the priorities for conservation, traditional subsistence uses, recreation, and commercial activities;
- promotes public safety in human-wildlife encounters; and
- develops updated management plans for species at risk and all big game species.

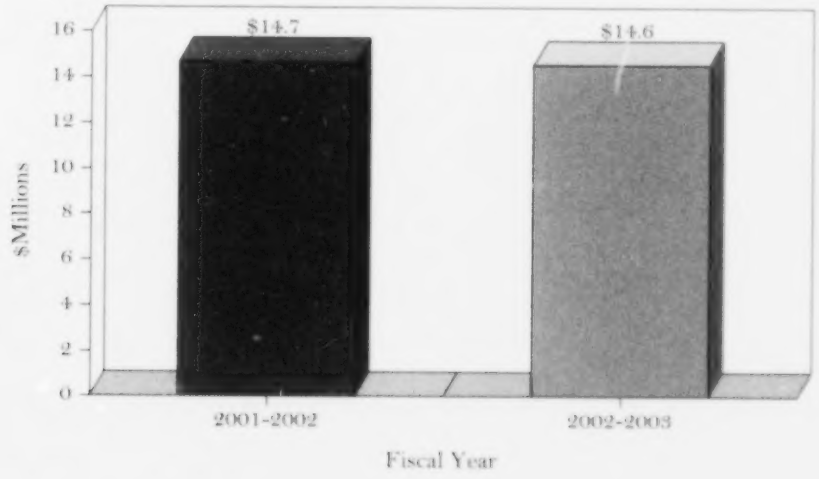
SRD provides a policy and regulatory framework to deliver advice to regulators on habitat management for environmental impact assessments and land use referrals; develop guidelines and codes of practice; and provide advice and education about habitat conservation to industry and the public through a variety of programs. Together, these initiatives guide programs that enhance the benefits Albertans receive from their fish and wildlife resources.

The department aims to sustain Albertans' recreational enjoyment of fish and wildlife resources through appropriate allocation and licensing decisions, and delivery of a variety of education programs. SRD used several innovative approaches to encourage Albertans to explore recreational enjoyment of Alberta's fish and wildlife resources, such as liberalized hunting regulations for deer and expanded fishing opportunities (e.g., "free fishing weekend" during the family day weekend in February).

Alberta's abundant fish and wildlife resources provides many recreational opportunities. In 2002-03 hunters purchased over 250,000 hunting licences, in addition to 210,000 licensed anglers and an estimated 150,000 additional anglers (those under the age of 16 and seniors).[22] The sale of hunting and fishing licences generated $14.6 million in revenue, slightly less than 2001-02.[23] A substantial portion of this revenue is reinvested in habitat enhancement programs delivered through the Alberta Conservation Association, a delegated administrative organization.

Figure 16

Revenue from Hunting and Fishing Licences (unaudited)



SRD checked over 70,000 people for compliance with regulations and responded to 3,700 complaints of illegal activities related to the *Fisheries (Alberta) Act*, the *Wildlife Act*, and related regulations.[24] The compliance rate with these regulations was over 94%.[25] Two major undercover investigations were also concluded that identified illegal activities and apprehended those responsible.

SRD supports proactive educational programs as an important means of ensuring compliance. In 2002-03, SRD continued its important partnerships in conservation education with the WISE Foundation and the Alberta Trappers Association. In addition to these strategic partnerships, the department:

- provided sessions for approximately 5,000 students (including five new programs) at the newly created, award-wining, Bow Habitat Station in Calgary;[26]
- created an "outdoor classroom" at the Pearce Estate Park Interpretive Wetland adjacent to the Bow Habitat Station;
- continued the Fish in Schools (FINS) program that placed live trout in aquariums in classrooms around the province; and
- expanded the Emerald award-winning, Cows and Fish program in central and northern Alberta to educate landowner and community-based groups on management improvement practices. (more information on this program found on page 42)

The Improving Alberta's Fisheries Initiative is designed to encourage sustainable fisheries by improving the viability of the commercial fishing industry; habitat maintenance and restoration; fish stocking system; and management information.

Licensing changes were introduced in 2002 to reduce the number of commercial fishermen. These licensing changes are part of the five-year implementation of the Improving Alberta's Fisheries initiative.

The commercial fishing industry continued to play an important role in many small communities, particularly in northern Alberta. Production has averaged approximately 2 million kilograms, mostly lake whitefish, over the past five years, with a landed value of more than $3.2 million.[27]

To manage the growing interaction between wildlife and humans, SRD:

- minimized agricultural losses caused by big game and water fowl through education and provision of on the ground assistance and resources;
- responded to nearly 13,000 public complaints related to wildlife;[28] and
- provided effective emergency responses and public education concerning safety issues caused by bears, cougars, and other wildlife, which lowered the number of wildlife attacks on humans to 9 in 2002-03[29] (there were 10 attacks in 2001-02)

Fish Facts

SRD has a web page to help anglers identify various fish species (http://www3.gov.ab.ca/srd/fw/fishing/FishID)

More Fish Facts

The department stocks approximately 3.8 million fish into 293 waters throughout Alberta. These waters provide approximately 675,000 angler days annually in Alberta.[30]

SRD, in conjunction with Alberta Community Development and the Alberta Conservation Association, continues to work on the general status assessment of wild species to provide information for species management, recovery planning, and national reporting. A comprehensive review of 800 species was reported by the department in *The General Status of Alberta Wild Species (2000)*. The report sets the stage for the provincial species at risk designation and protection process for the next five years.

Like other jurisdictions that are responsible for managing fish and wildlife resources, measuring success is a challenge. Considerable progress was made in 2002-03 towards developing performance measures for the core business, but for the interim the department continues to report on the Species at Risk measure that demonstrates the percentage of species listed as threatened or endangered under the provincial *Wildlife Act*. The measure provides an indirect indicator of the effectiveness and appropriateness of the department's allocation and licensing decisions.

Figure 17

Percentage of Species at Risk

Performance Measure

	[illegible]	[illegible]	[illegible]
Percentage of Species at Risk	2.00%	1.44%	<5%

Note: The species at risk measure provides an indirect way of gauging the effectiveness of allocation and licensing decisions. The 1996 and 2000 species at risk results cannot be compared, as a different standard is used for status determination and a far greater number of species were assessed (800 species) for Alberta in the 2000 study. New data will not be available until 2005.

While new data will not be summarized until 2005 due to a five-year reporting interval, SRD continued to work on the general status assessment of wild species at both provincial and national levels through:

- participating in a national summary of the general status of freshwater fish including reviews of lake sturgeon and shortjaw cisco;
- initiating status reports on St Mary shorthead sculpin and cutthroat trout; and
- leading a national review of the general status rankings for all butterflies and skippers in Canada.

The department maintains up-to-date management plans for all game species and species at risk. Management strategies are also in place for all big game species. A new management plan was developed for mountain goat, while recovery plans were completed for the western blue flag and piping plover. Recovery activities are being implemented for sage grouse, while recovery teams have been formed for the grizzly bear, woodland caribou, kangaroo rat, and piping plover.

Species at Risk

Recovery Plans available at www3.gov.ab.ca/srd/fw/threatsp/index.html.

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Figure 17

Percentage of Species at Risk

Performance Measure

	Actual 1996	Actual 2000	2005 Target
Percentage of Species at Risk	2.00%	1.13%	1.13%

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- leading a national review of the general status rankings for all butterflies and skippers in Canada.

The department maintains up-to-date management plans for all game species and species at risk. Management strategies are also in place for all big game species. A new management plan was developed for mountain goat, while recovery plans were completed for the western blue flag and piping plover. Recovery activities are being implemented for sage grouse, while recovery teams have been formed for the grizzly bear, woodland caribou, kangaroo rat, and piping plover.

Species at Risk

Recovery Plans available at www3.gov.ab.ca/srd/fw/threatsp/index.html.

A Silver 2002 Premier's Award of Excellence was awarded to the North American Waterfowl Management Plan, which SRD developed in partnership with Ducks Unlimited Canada, Canadian Wildlife Services, Alberta Environment and Alberta Agriculture, Food and Rural Development. The plan is a conservation partnership between the governments of Canada, United States, Mexico and thousands of landowners across the continent.

SRD expanded its efforts in disease management. In 2002-03, SRD implemented a sampling and monitoring program for Chronic Wasting Disease and West Nile Virus to monitor impacts on Alberta's wildlife. Hunters were also encouraged to provide samples from their kills to department staff.

To improve upon SRD's understanding of how the strategies employed by the core business to conduct public resource management interacts with wildlife management, the department is extensively involved in two significant initiatives:

- the Alberta Biodiversity Monitoring Program (ABMP), which is intended to monitor and report on the status and trends of biodiversity within the regions of Alberta; and
- the Foothills Model Forest Grizzly Bear Project, which has been designed to ensure the long-term conservation of grizzly bears and their habitat.

These initiatives will lay the groundwork for future legislative and policy decisions around public resource management in Alberta.

Core Business: Rangeland Management

Goal: Enhance the economic, environmental and social contributions of Alberta's rangelands to Albertans.

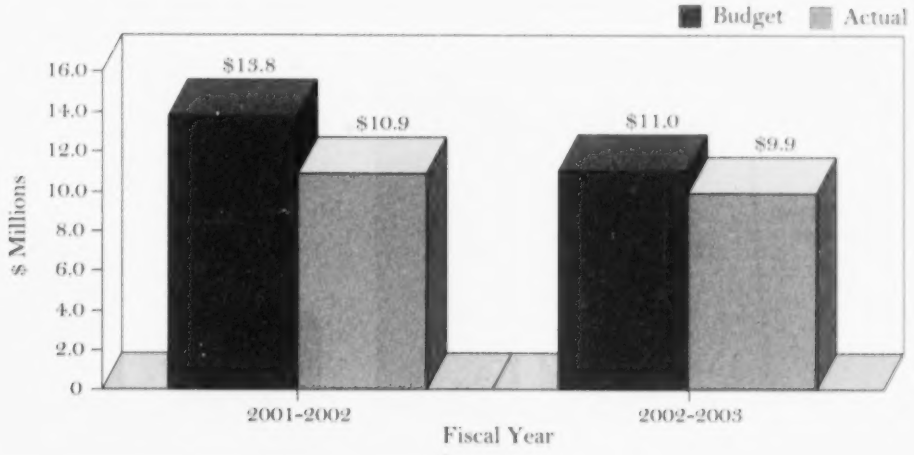
The second consecutive year of drought challenged the Rangeland Management core business' ability to provide Alberta's livestock producers with access to long-term grazing and sustain the rangelands for future use. The provision of mitigation strategies to manage through the drought, as well the continued delivery of the core business programs in 2002-03, cost $9.9 million, slightly lower than 2001-02.

Alberta's rangelands support a variety of uses, such as livestock grazing, energy extraction, recreational use and wildlife habitat. To deliver the Rangeland core business SRD employs a strategic approach that:

- provides clear, balanced policies, legislation and regulations to maximize the benefits received from public rangelands;
- ensures secure, long-term access to public rangeland grazing for Alberta's livestock industry;
- promotes and supports sustainable range management practices through research and knowledge transfer;
- encourages good stewardship practices by monitoring utilization of public rangeland; and
- manages public rangelands in a manner that supports the co-existence of multiple uses and resource values.

Figure 18

Rangeland Management Expenditure Analysis (unaudited)



Note: Expenditure data includes allocated ministry support services.

A significant development in the department's legislative and policy framework for this core business was the introduction of Bill 16, The *Agricultural Dispositions Statues Amendment Act* in February 2003. This new legislation will promote cooperation and respect between disposition holders and other users of the land - clarifying the rules around recreational and exploration access to public lands leased for grazing. It is anticipated this bill will be proclaimed in 2003-04.

Livestock producers that lease public grazing land are responsible for the stewardship and management of the range resource. Education and research is used by SRD to encourage sustainable management practices. During 2002-03, the department delivered four stockman range courses, 10 riparian courses, a riparian-focused publication and special drought-focused management publications.[31]

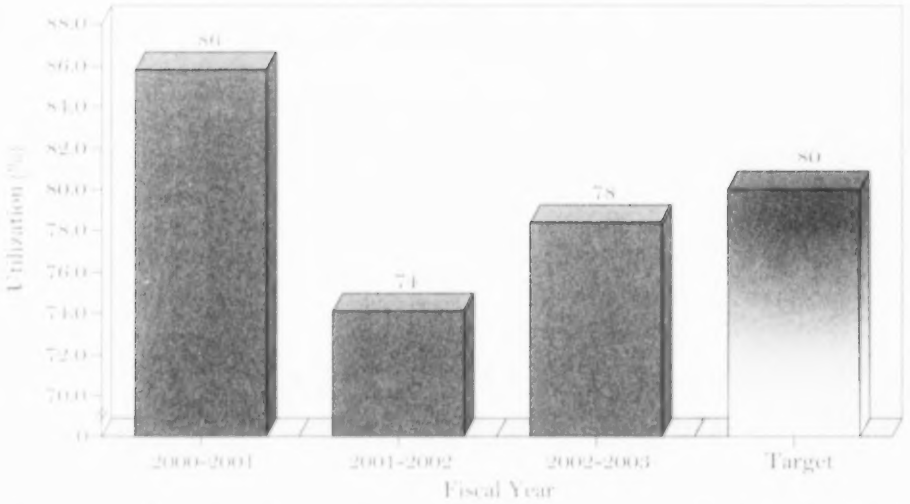
As a result of SRD's educational and extension efforts, affected lease holders willingly changed grazing practices to avoid long term damage to Alberta's rangelands during the 2002 drought. This change in practice was evident in the results of the annual sampling of grazing leases which determines utilization of total capacity and overall condition of the lease. Due to the severe drought conditions, leaseholders avoided the full utilization of the lease capacity for the second year in a row. (See Figure 19) In 2002-03, 78% of utilization capacity was used, which is similar to the utilization capacity of 74% in 2001-02, but still significantly lower than the 2000-01 levels of 86%.[32]

To supplement the decrease in grazing utilization, SRD provided additional grazing opportunities for the livestock industry in marginal sections of Alberta's green area. SRD also provided an additional 9,000 tons of hay from areas typically not sourced for feed while an additional 5,400 Animal Unit Months (AUMs) of grazing was provided by vacant land that was not suitable for long term grazing.[33]

Figure 19

Percent Utilization of Allocated Grazing Capacity

Performance Measure



Note: Performance data is based on a random sample of leases that expire. Total sample size for 2002-03 was 414. Sample sizes for 2001-02 and 2000-01 were 501 and 417, respectively. For further details about sampling error and significance testing, see the section on data sources and methodology.

The Cows and Fish Program

The Alberta Cows and Fish Program was established in 1992 through a partnership of Alberta Cattle Commission; Trout Unlimited Canada; Canadian Cattlemen's Association; Alberta Environment; Alberta Agriculture, Food and Rural Development; Prairie Farm Rehabilitation Administration; Fisheries and Oceans Canada; and Alberta Conservation Association.

This non-profit organization's goal is to promote the improvement of riparian areas through a collaborative partnership and voluntary, proactive community-based action based on education and awareness about management options for livestock producers and their communities.

The Cows and Fish program is a significant component of SRD's rangeland research and knowledge transfer strategy. The increasing awareness of riparian management issues in central and northern Alberta resulted in the development of a number of Cows and Fish extension initiatives that included:

- developing a wetland plant community classification system for northern Alberta;
- providing a riparian health assessment field guide for wetlands and sloughs, building upon the plant community classification system for southern Alberta; and
- publishing a new *Caring for the Green Zone* edition that includes northern wetland information.

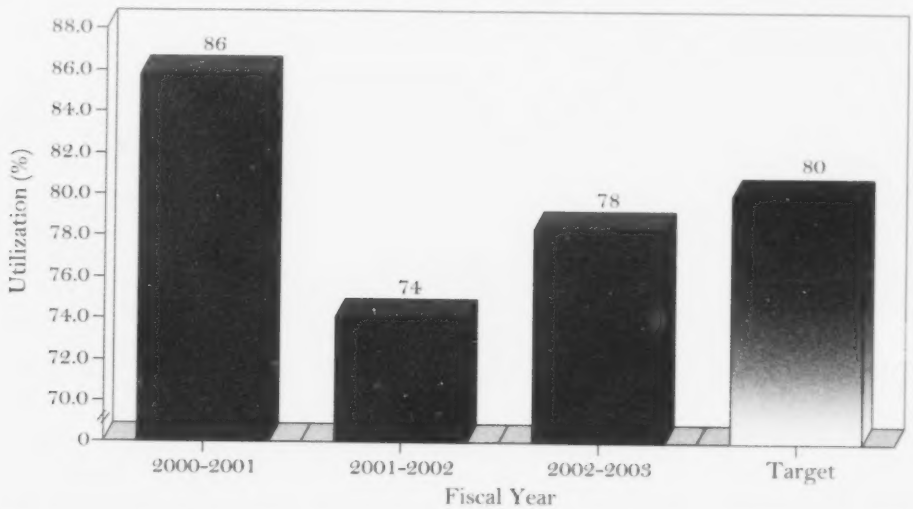
For the past several years, the department has been working to develop an improved system for monitoring native range and tame pasture health for the province. During the last three years, the new system was refined, evaluated with grazing disposition holders and the public, and gradually phased into operation. The department also developed the technical, abridged, and field guide versions of the range health assessment protocol, to assist clients and staff with monitoring native grasslands, forests and tame pasture. SRD staff were trained in range health assessment and then passed on this knowledge to leaseholders.

In 2002-03 SRD continued these initiatives by conducting detailed vegetation surveys at specific sites in the province in conjunction with the Rangeland Reference Area Monitoring Program, which monitors areas of potential concern every three years; the locations of sites for this network are shown in Figure 20.

Figure 19

Percent Utilization of Allocated Grazing Capacity

Performance Measure



Note: Performance data is based on a random sample of leases that expire. Total sample size for 2003-03 was 535. Sample sizes for 2001-02 and 2000-01 were 501 and 417, respectively For further details about sampling error and significance testing, see the section on data sources and methodology.

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Figure 20

Location of Monitoring Sites for the
Rangeland Reference Area Monitoring Program

A new Ecological Site Description Website was developed during 2002-03. When fully operational, it will allow leaseholders to see how their land use plans will influence the growth of vegetation.

The last component of the monitoring program included working with selected municipal districts and counties across Alberta to control weeds on vacant public land, including bed and shore areas. Weeds have the ability to out-compete natural vegetation, so implementing this proactive approach decreases the impact of weeds on surrounding rangeland.

SRD continued to work closely with a number of stakeholders including Alberta Agriculture, Food and Rural Development, Alberta Environment, federal agencies, other industry, and non-government organizations (e.g., Alberta Cattle Commission, and conservation organizations) to facilitate the use of Alberta's public rangelands by multiple users. These working relationships created a better understanding of how improvements in grazing management can enhance fish and wildlife habitat, landscape health and range productivity, reduce conflict, and promote integrated approaches to rangeland management issues.

Core Business: Land Use Disposition Management

Goal: Optimize the long-term benefits (environmental, social and economic) that Albertans receive from public lands through effective, efficient disposition management.

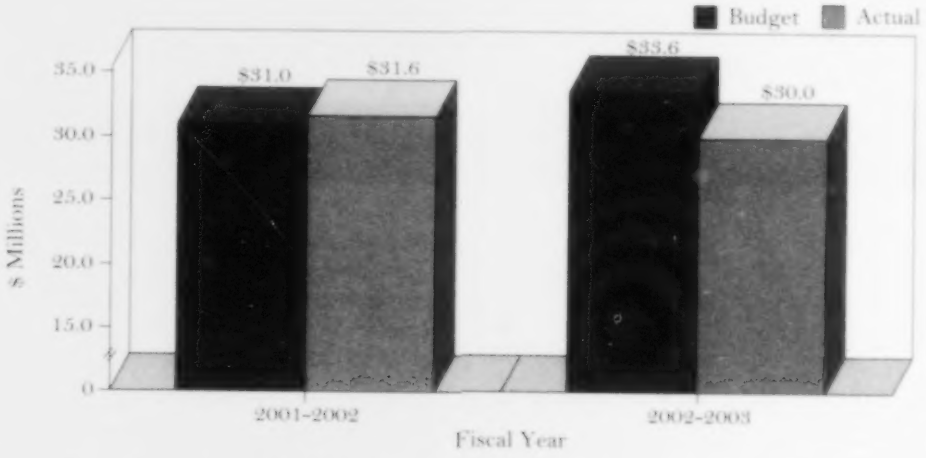
The department continues to address the challenges resulting from increased pressures of industrial, commercial, and recreation activity on Alberta's public lands. The drought across much of the province continued to impact Alberta's public shore lands. Receding waters resulted in increased hectares of exposed lakebed and shoreline, creating challenges for the department to educate and inform adjacent landowners about the impacts their activities may have on sensitive riparian areas.

Delivering programs to meet the challenges while achieving the goal of the Land Use Disposition Management core business cost $30.0 million in 2002-03, down slightly from 2001-02 expenditures of $31.6 million.

Figure 21

Land Use Disposition Management

Expenditure Analysis (unaudited)



Note: Expenditure data includes allocated ministry support services.

The department's strategic approach to this core business includes:

- providing an integrated, balanced approach to land use through a land management policy, legislative and regulatory framework;
- encouraging sustainable land use practices through integrated land use planning by government and industry; and
- ensuring dispositions for the use of public lands are issued in a timely, effective manner with the appropriate and relevant conditions.

In 2002-03, SRD undertook the following activities through the departmental policy and legislative framework:

- amending the Forest Recreation Regulation to establish Forest Land Use Zones in the Bighorn area of the province west of Rocky Mountain House; and
- reviewing the Exploration Regulation with over 2000 stakeholders. This review resulted in changes to the *Mines and Mineral Act (Part 8)* being proclaimed in May 2003 that included: directives, stop orders, new designations for investigators, and other enabling provisions.

To ensure that both present and future demands on the province's public lands were managed, SRD initiated or updated several operational strategies, including:

- The Bighorn Backcountry plan was introduced to provide opportunities for off-highway vehicle use while ensuring the conservation and protection of sensitive landscapes and critical resource values (Figure 22). This plan is seen as a model for other areas of the province. More information is available online at http://www.bighorn.gov.ab.ca/

- The access management plan for the Ghost-Waiparous area, northwest of Cochrane, Alberta was initiated to provide opportunities for recreational use in the Ghost-Waiparous area (comprising 1,500 km^2) while maintaining the area's natural resources (Figure 22). In December of 2002, Albertans were invited to provide their views on how to manage the area by completing an online survey or attending several information sessions.
- The local plan for Smith-Hondo area was completed. This plan has been cited as a best practice in local area plans in Alberta.

A new website provides background, news and events, maps, etc on the Ghost-Waiparous Access Management Plan.
(www3.gov.ab.ca/srd/regions/southwest/ghost/index.html)

To encourage sustainable land use practices, the department has been using integrated land use planning with the oil and gas industry through the use of Area Operating Agreements (AOAs). These agreements outline the industrial activities in a given public land area and ensure maximum usage of infrastructure to minimize disturbance on the land. Starting in 2002-03, SRD measured what percent of active industrial dispositions were submitted as part of an AOA.

SRD's 2002-05 Business Plan methodology for the AOA performance measure used all dispositions as the base. However, since AOAs only apply to the oil & gas sector, a revised methodology was developed to include only those dispositions that were submitted by the oil & gas sector. The results of both approaches are highlighted in Figure 23. As can be seen, the results improve marginally under the revised methodology.

AOAs are gradually gaining acceptance as a tool for integrated planning in the oil and gas sector. In 2002-03, there was a significant increase in the percentage of active oil and gas dispositions that were subject to an AOA from 2001-02 (from 15% to 24%). This is an improvement from the trend between 2000-01 and 2001-02.

SRD strives to ensure that dispositions are issued in a timely and effective manner. For approvals of geophysical dispositions, the department has been able to exceed its business plan target of 10 days or less, with an average turnaround time of 5.8 days (Figure 24).[34] Although volumes have decreased slightly, a major improvement to the operations was the introduction of new technology.

Figure 22

Bighorn and Ghost-Waiparous Areas

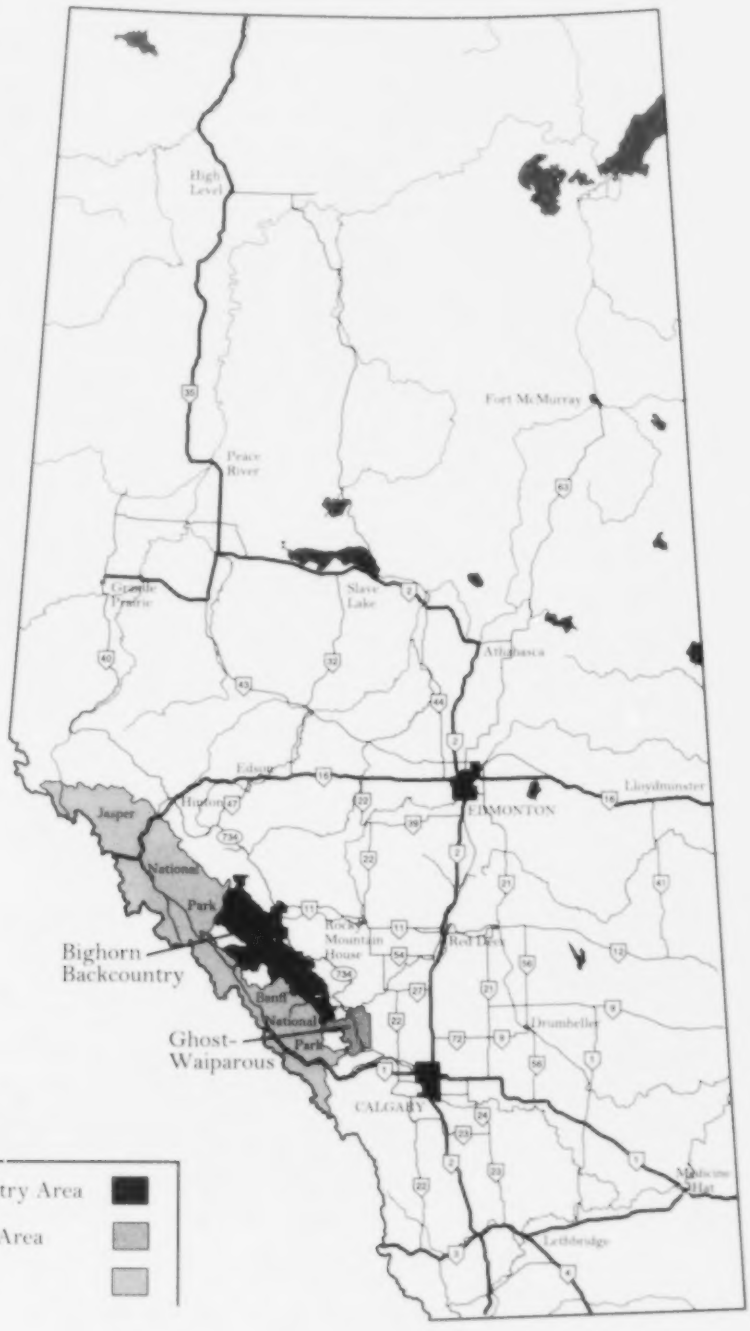
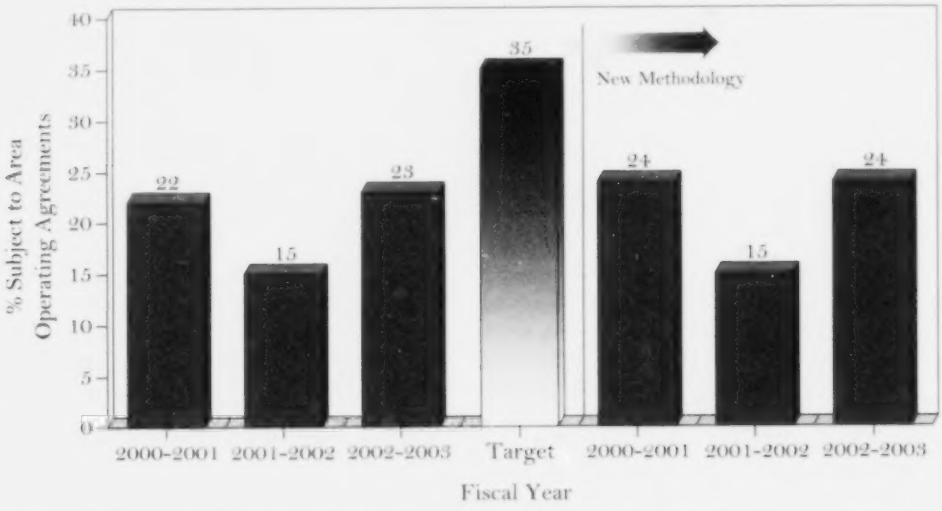


Figure 23

Percentage of Active Industrial Dispositions Subject to Area Operating Agreements (Green and White Area)

Performance Measure

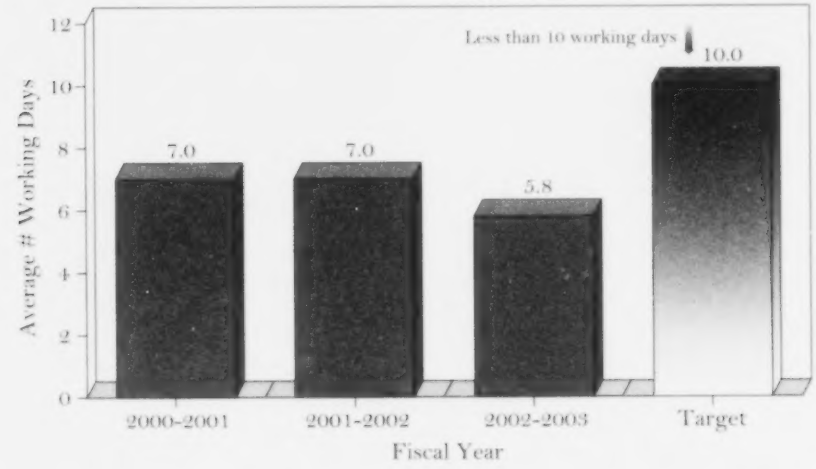


Note: Performance data is based on a random sample of dispositions. Total sample size for revised methodology in 2003-03 is 454. Sample sizes for 2001-02 and 2000-01 are 451 and 408, respectively. For further details about sampling error and significance testing, see the section on data sources and methodology.

Figure 24

Average Number of Working Days for Completion of Geophysical Approvals

Performance Measure



Note: For further details, see the section on data sources and methodology.

The issuance of industrial dispositions increased in efficiency from 19.4 days in 2001-02 to 17.2 days in 2002-03; however, the business plan target of 15 days was not achieved.[35] Two significant external factors that influenced the department's performance in this area were:

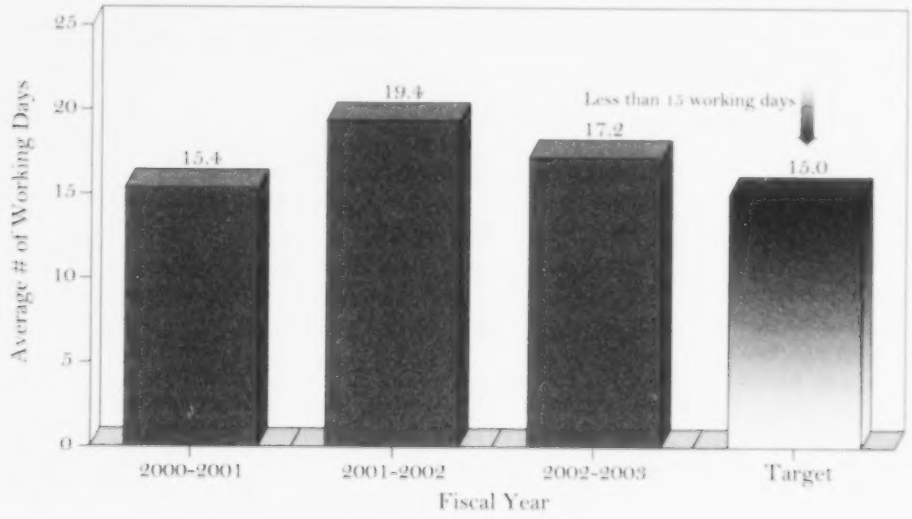
- uneven distribution of disposition requests. A backlog can be created if the number of disposition requests received within a short time period exceed staffing capability; and
- client induced down time. In the process of approving dispositions, there are points where additional information is required from the client. The amount of time that the client takes to submit this information is beyond the control of the department's staff, and can have a substantial influence on performance. For example, between December 2002 to March 2003, staff implemented a manual tracking system that excluded the amount of time where the department was waiting for additional information from the client. The revised result was 13.7 days, down from the 17.2 days calculated in the original methodology.

Managing Alberta's public land dispositions effectively and efficiently requires that decisions for land usage (oil and gas and geophysical) be completed in a timely fashion. This requires the disposition management core business to work closely with the resource management businesses of SRD (land and forest, fish and wildlife and rangeland) to ensure the future of the other resources located on the disposition are not endangered while deriving economic benefit today.

Figure 25

Average Number of Working Days for Completion of Industrial Dispositions

Performance Measure



Cross Ministry Initiatives

SRD provides staff support and resources for two of the Government of Alberta cross ministry initiatives: the Aboriginal Policy Initiative and the Economic Development Strategy.

Aboriginal Policy Initiative

The five core businesses of SRD are key partners in the accomplishments of the Aboriginal Policy Initiative. Particular initiatives that SRD participated and/or lead during 2002-03 include:

- consulting with First Nations on the use of wildlife materials in ceremonial functions;
- meeting with First Nations Councils to ensure their support for controlled levels of aboriginal hunting and fishing;
- participating in the development of an aboriginal consultation policy for government;
- continuing to train and hire aboriginal crews for seasonal work as firefighters, tower men, patrolmen and native fire guardians;
- developing two cross-cultural educational resources: a Website and a workshop to assist SRD staff in their interactions with aboriginal communities; and
- generating employment experience via the Bow Habitat Station in the field of aboriginal adventure tourism.

Economic Development Strategy

SRD supports this cross Ministry initiative through three key strategies:

- encouraging the use of new technologies in resource-based industries;
- supporting the growth in value of manufactured forestry products shipments; and
- assisting in the development of regional strategic frameworks that build on regional goals, priorities and strengths.

In 2002-03, SRD introduced new technologies to resource-based industries through a number of initiatives, such as:

- A pilot project in Cold Lake was established to significantly increase the productivity of Alberta's commercial fishing industry. The project introduced the use of trap nets to increase the whitefish harvest that resulted in the harvest growing from 4,000 kilograms to 26,000 kilograms per year. Opportunities for application at other lakes across Alberta are being explored for 2003-04.
- An information system was developed to integrate range health assessment with disposition management to ensure technology implementation on the land base.
- Several fish and wildlife Web-enabled databases were further developed to provide a graphic interface for clients and stakeholders.
- Ad hoc receptor teams were initiated to begin moving technology known in the research community into applications in industry. This activity was identified as necessary to ensure that the industry is closely tied to the developments occurring in the research world.

In collaboration with Alberta Economic Development, SRD created a cross-departmental forest product-working group to focus on advancing the value-added agenda for Alberta's forestry sector. SRD continued to promote the value-added philosophy with the forestry industry.

SRD participated in the regional pilot-project between the Central Alberta Economic Partnership (CAEP) and the Alberta Government. The outcome from this participation was a better understanding and appreciation of the contributions of Alberta's public resources to regional economies in the province.

Data Sources and Methodology for Performance Measures

Goal One: Forest Protection Measures

The particulars of each incident are reported to Wildfire Management Area (WMA) fire centres. For all performance measures associated with goal one, data is collected on a number of internal forms completed by initial attack and suppression personnel, lookout personnel, patrolmen, dispatchers, and other personnel. This data is entered and stored in the Fire Information Resource System (FIRES) at both the entry source and by the Provincial Forest Fire Centre (PFFC), which computes the results shown for all performance measures. While data is collected and entered on a year-round basis, results reported in the annual report are limited to wildfires assessed (i.e. the date the fire was initially assessed by the department's staff) during the legislated fire season (April 1 to October 31) to allow for year-to-year comparisons.

Prevention

Every wildfire is investigated to determine the cause. If the wildfire is human-caused, then it is further investigated to determine the responsible party. The human-caused category is then subdivided into:

- industry-caused wildfires: This classification includes wildfires caused by activities of the forest industry, railway, and other industries (e.g., mining, oil and gas, commercial tourism, and utility); and
- other human-caused: This classification includes incendiary (wilfully caused wildfires), recreation, residents, and other miscellaneous human causes.

Detection

Reports of wildfires are made from the public to 427-FIRE, local WMA fire centres, unplanned air patrols (commercial or charter companies on private work), ground patrols, lookout personnel (131 towers in Alberta), and planned air patrols. Data reported and entered into FIRES includes the discovery agent, discovered date and time, reported date and time, and discovered size.

The objective is to discover wildfires while they are at their smallest, as there is a higher probability of controlling and extinguishing them when small. The underlying assumptions include that all fires start from a single spot and that by the time they reach approximately 0.1 hectares in size smoke will be visible. Fires can be measured a number of ways - optical estimates, compass and topofil (measuring string box), and Global Positioning System.

Visibility and time of ignition affect detection results. For example, if the wildfire ignites and reaches 0.1 hectares during nighttime, smoke columns will not be detected.

Detection results compare the number of wildfires detected by SRD's lookout and air patrols at 0.1 hectares in size or less and reported by SRD's lookout and air patrols within five minutes of detection, against all wildfires recorded during the same time period.

Detection and reporting conducted by SRD's ground patrols have not been included in the results, as they are an infrequent method of detection and reporting (i.e., in 2002, less than four percent of detection and reporting events were associated with ground patrols).

Response

The Spatial Fire Management System (SFMS) is a computer-decision model of maps and reports that takes into account performance measures and fire behavior elements (forest fuels, topography, and fire weather) to determine initial attack and support resource deployment requirements. For pre-suppression preparedness, SFMS is used to run various wildfire behavior, coverage and deployment scenarios to determine the best option for the initial attack.

The probability of controlling the spread of a wildfire is greater if suppression forces are able to action wildfires (initiate an attack strategy) prior to them reaching two hectares in size. Fires can be measured a number of ways - optical estimates, compass and topofil (measuring string box), and Global Positioning System. This objective is accomplished by pre-positioning initial attack resources to high hazard areas, or areas with a high potential for new wildfire starts.

Response results compare the number of wildfires whose initial firefighting began at two hectares in size or less, against all wildfires recorded during the same time period.

Containment

The aggressiveness and cost-effectiveness of wildfire containment and suppression is measured by the firefighter's ability to contain the wildfire at four hectares or less, and by 10 a.m. of the following day. The rationale behind the size measurement is that as a wildfire grows, there is a substantial increase in the intensity of the fire behavior and resistance to control. Fires can be measured a number of ways - optical estimates, compass and topofil (measuring string box), and Global Positioning System. A review of historical wildfire data has shown that if a wildfire has been contained (either being held or under control) at four hectares or less, there is a greater possibility of both a reduction in loss and in suppression costs.

Wildfires generally start between noon and early evening (termed the "burning period"), when temperatures are at their highest and relative humidity is its lowest. During the evening and overnight periods, temperatures tend to decrease and the relative humidity tends to increase, giving firefighters an increased opportunity to contain the wildfire by 10 a.m. of the following day.

Containment size or burning period results compare wildfires that have a "being held" or "under control" status before reaching four hectares or less in size or before 10 a.m. the following day, respectively, against all wildfires recorded during the same time period. These measures are mutually exclusive, they are two different and distinct methods to measure fire containment progress. Therefore, any fire that meets the specified criteria is included in the respective measure, regardless of its status in the other measure.

In a small number of cases, a wildfire's containment status may change. These status changes are not included as part of the performance measure.

Goal Two: Timber Sustainability

Timber sustainability compares the annual timber harvest with the long-term sustainable annual allowable cut (AAC) set by the province within the Green Area (lands not available for agricultural development other than grazing).

Data for the AAC is provided by the forest management plans submitted by the forest industry. It is then compiled into an ACCESS database and reviewed in detail by the department.

The AAC is the amount of timber that can be harvested on a sustainable basis (in accordance with the policy of sustained yield) within a defined planning area with recreation areas, wildlife reserves, and stream buffers are excluded from the AAC calculation. The AAC is determined on either an individual forest management unit or specific forest management agreement (FMA) area basis. Forest management strategies take into account other forest uses outside of timber production.

Each AAC considers such factors as forest inventory, growth rates, changes to reserved areas, regeneration success, natural mortality, and the impact of fire and insects/disease. The volume of timber determined to be available for harvest in Alberta is based on what the forest will grow and supply on a sustainable basis, rather than the size of the industry.

Data from the Timber Production Reporting System is used to determine the harvest level. Certain volumes are not included in the harvest level for the purpose of comparability to the AAC. For example, fire salvage is not included in harvest level because it does not contribute to AAC.

Yearly harvest levels may be greater than AAC, but harvest levels cumulated over the five-year period (sum of harvest over a five-year period) should not exceed the AAC within each planning area (expressed as five times the planning area AAC).

All Alberta timber dispositions greater than one year in term are balanced over five-year periods. In the case of coniferous quotas (30% of Green Area conifer AAC), these five-year periods are called quadrants. Quota holders have the flexibility to harvest any or all of their quadrant allowable cut (five years times their annual allotment) in any one-year or combination of years within that quadrant.

Similarly, FMA holders, who make up 61% of Green Area conifer AAC, utilize five-year cut control periods. As a result of the flexibility allowed to quota and FMA holders, harvest levels and AAC are compared on a five-year rolling average basis.

Comparative data may change between reporting years primarily as a result of production audits that are carried out at the conclusion of each five-year planning period. There is a one-year delay in the reporting of this data; the reported AAC for 2001-02 represents the approved AAC upon conclusion of the fiscal year (April 2002). In some cases, revisions are made to the approved AAC in previous years, but these revisions have not been reflected in the published results.

Goal Three: Species at Risk

Under the 1996 *Accord for the Protections of Species at Risk in Canada*, Alberta has agreed to use the national protocol and definitions for determining the status of all wild species. SRD reports provincially and nationally on the status of wild species every five years starting in 2000, and the results were summarized in the first national report, *Wild Species 2000: The General Status of Species in Canada*, released in spring 2001.

The Wild Species 2000 report was developed under the auspices of the Canadian Endangered Species Conservation Council, created in 1997 under the *Accord for the Protection of Species at Risk* (1996) and *Framework for the Conservation of Species at Risk in Canada* (1996).

Information is gathered on each species and used to rate seven key criteria to arrive at an assessment of extinction/extirpation risk. The criteria used include: population size, number of occurrences, distribution, population trend, distribution trend, threats to population, and threats to habitat. Each criterion is rated on a scale from A to D, with A being the greatest concern and D the least. After reviewing the ranks, the species is assigned to a status category: Extirpated/Extinct, At Risk, May Be At Risk, Sensitive, Secure, Undetermined, Not Assessed, Exotic, or Accidental/Vagrant.

Species "at risk" in Alberta are assessed by the Alberta Endangered Species Conservation Committee. The Committee forwards recommended species recovery plans to the Minister and these recommendations provide the basis for conservation action for all species concerned.

SRD is responsible for all Alberta status determinations and for supplying the lists used in the national report. Alberta also published its own report, which was released in July 2001. It provides the source data used to calculate this performance measure.

Goal Four: Range Sustainability

Performance metric associated with this goal is new. Data shown in the 2002-05 Business Plan are preliminary. Drought conditions significantly impacted forecast results from actuals shown in this annual report.

The department is responsible for monitoring and tracking nearly 6,000 grazing dispositions that are leased to the agricultural industry throughout the white and green areas. The leases are for a set time period (usually 10 years). When a lease expires, departmental agrologists conduct an in-depth review of the health and activity that has occurred on the land. A component of this review is determining what percentage of the lease's grazing capacity has been utilized by the disposition holder.

The grazing capacity of a lease is based on a number of factors including existing vegetation, climatic zone and soil type. The total amount of available forage is determined and 50% of this total is allocated for grazing with the balance allocated for health of the plants as well as conservation measures including wildlife use. The amount of forage that an animal unit (1,000 pound) can consume on a monthly basis is equivalent to 1 Animal Unit Month (AUM) The carrying capacity for the disposition is described in AUM's and is based on the total amount of allocated forage available on the grazing disposition.

The extent of the grazing that has been conducted on a grazing lease is determined by departmental staff, by reviewing the stock return report that is provided by the disposition holder. This information includes the number of cattle, length of grazing and size of cattle that was used on the rangeland.

Department staff enter the results of their review of the lease into the Geographic Land Information Mapping and Planning System (GLIMPS). Data specialists in the department's Edmonton office then compile and analyze the data.

In 2002-03, a total of 535 leases were reviewed, providing an overall sampling error of ±4.2%, 19 times out of 20. For 2001-02 the sample size was 501 and the 2000-01 sample was 417, for a sampling error of ±4.4% and ±4.8%, respectively, 19 times out of 20.

To ensure that any differences in the results between the years are not due to random sampling error, a test of significance was conducted on the results, using the 95% confidence interval.

Test	Significant at 95% Confidence Interval
2002-03 with 2001-02	No
2001-02 with 2000-01	Yes
2002-03 with 2000-01	Yes

This measure is excluded in the 2003-06 Business Plan. Performance measures that better reflect departmental activities have been developed.

Goal Five: Timely, Efficient Disposition Decisions

Performance metrics associated with this goal are new. Data shown in the 2002-05 Business Plan are preliminary. System and methodology changes significantly impacted forecast results from actuals shown in this annual report.

Active Industrial Dispositions Subject to Area Operating Agreements

Area Operating Agreements (AOA) is an initiative aimed to facilitate the oil and gas industry to pursue long term planning and integrate stakeholder consultations. By completing an AOA for a parcel of public land, approvals for any industrial dispositions are streamlined for the oil and gas industry.

There are essentially three types of industrial dispositions applicable to oil and gas activity on public land. They are:

- Mineral Surface Lease (MSL) that allow the company to drill a well;
- License of Occupation (LOC) to construct a road on public land; and
- Pipeline Application (PLA) to build pipelines.

In the 2002-05 Business Plan, the original methodology and target for this performance measure included all MSL, LOC and PLA dispositions as the base for calculating the percentages. However, in the case of LOC dispositions, there are many other industries (e.g. forestry industry, sand & gravel, etc) that also submit applications. While PLA

Test	Significant at 95% Confidence Interval

Year	Total Dispositions	Original Sample (unweighted)	Revised Sample (unweighted)	Sampling Error of Revised Sample (95% Confidence Interval)

Test	Significant at 95% Confidence Interval

dispositions are primarily for oil and gas, not all PLAs can be covered by an AOA. For example, large pipelines, and those pipelines that cross many jurisdictions, have different referral rules than the shorter and smaller distribution pipelines.

Since the AOA initiative is specifically designed for the oil and gas industry only, unrepresentative data will be produced if other industrial activities are included. Therefore, the department developed a new methodology which refines the base to only those dispositions that would apply to the oil and gas industry.

For each of the three years, a random, representative sample of dispositions was drawn from the total base of dispositions approved during that year. The sample was pulled from the Land Standing Automated System (LSAS). A quota sampling approach was used to allocate the entire sample, so that an adequate base size could be achieved within each of the three types of dispositions. Weighting was conducted on the final data to ensure representation for each type of disposition.

Each disposition was reviewed to determine if it was submitted by a company belonging to the oil and gas industry (using the name as a reference) and, if so, was subject to an approved AOA.

Year	Total Dispositions	Original Sample (unweighted)	Revised Sample (unweighted)	Sampling Error of Revised Sample (95%) Confidence Interval)
2002-03	10,421	465	454	±4.6%
2001-02	10,791	456	451	±4.6%
2000-01	12,397	451	408	±4.7%

To ensure that any differences in the results between the years are not due to random sampling error, a test of significance was conducted on the results under the revised methodology, using the 95% confidence interval.

Test	Significant at 95% Confidence Interval
2002-03 with 2001-02	Yes
2001-02 with 2000-01	No
2002-03 with 2000-01	No

Average number of working days to complete Geophysical Dispositions

Applications for geophysical dispositions on public lands are sent to department staff for review, and then entered into the Geophysical Administration Support System (GASS). However, in October 2002, GASS was decommissioned and dispositions were tracked using the Application Disposition Processing and Tracking (ADEPT) system.

The number of working days to process a disposition begins when the application has been received and entered into the computer system. The date to issue a Letter of Authority ends the process. In addition to weekends, statuatory holidays are excluded in the calculations. Previously, GASS calculated the results. For ADEPT, calculations are conducted using Excel.

Average number of working days to complete Industrial Disposition

Applications for industrial dispositions on public lands are sent to the department staff for review, and then entered into the Land Standing Automated System (LSAS). The total time that it takes to issue an approval (i.e., from receiving approval from the Technical Services Branch to issuing the Letter of Authority) for an industrial disposition is automatically tracked and calculated by LSAS. The entire number of days spent approving dispositions is then divided by the number of dispositions reviewed.

In December 2002, staff began a manual tracking exercise to determine a more accurate representation of actual time it takes the department to complete a disposition. During the process of approving a disposition, there are many instances where it is up to the client to provide additional information/clarification before the disposition can proceed further. The manual process created by the department essentially tracks the number of days where the client was responsible for providing additional information and delayed the approval process. This time would be subtracted from the total number of days to process dispositions. During this four months this methodology was used, turnaround then improved to 13.7 days (from 17.2). The department intends on using this new methodology for all future reporting.

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9 Forest Protection Division, Forest Fire Information and Community Relations, Publication Materials Distribution List, 2002.

10 Forest Protection Division, Wildfire Prevention Branch, Wildland Urban Interface Projects, 2002.

11 Alberta Sustainable Resource Development, *FIRES Database*.

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30 Alberta Sustainable Resource Development, *Fisheries Management Information System. Stocking Report.* 2002 and *Survey of Recreational Fishing in Canada (Draft).* 2000

31 **Courses**: Registration lists maintained by regional Rangeland management offices
Publications: SRD Information Centre

32 Alberta Sustainable Resource Development, *2003 Range Sustainability (2002 Grazing Season)-Utilization Figure,* 2003

33 Alberta Sustainable Resource Development, *Land Status Automated System: Head Tax Permits and Temporary Field Authorizations (for Hay Permits only) Issued, 2002-2003* and, Rangeland Management: *Emergency Grazing, 2002 Grazing Season, 2002*

34 Alberta Sustainable Resource Development, *Geophysical Administration Support System 2000/01 - 2001/02.* and *Applicatons Disposition Processing and Tracking System 2002/03.*

35 Alberta Sustainable Resource Development, *Land Status Automated System: Turn Around Time for Industrial Dispositions (Application to Letter of Authority) 1995-2003,* 2003

Part Two:

Natural Resources Conservation Board
Core Businesses, Goals and Measures

Since 1991, the Natural Resources Conservation Board (NRCB) has reviewed proposed forestry, recreation and tourism, mining and water management developments affecting Alberta's non-energy related natural resources. The Board's mandate is to ensure that, the economic, social and environmental needs of the public have been addressed before these developments proceed. In 2002, the Alberta Government expanded the role of the NRCB, adding the regulation of Alberta's livestock industry (confined feeding operations or CFOs) to its mandate. The expansion of the NRCB's mandate has understandably meant an expansion of the organization and its operations resulting in an over ten-fold increase in NRCB activity levels. In 2002-03 the Board focused heavily on building the capacity needed to deliver an effective regulatory system for this large and expanding industry sector.

Core Business:

Review of Major Natural Resource Projects

While the NRCB focused heavily on the demands of the livestock industry over the past year, the needs of other industries continued to be met. The NRCB concluded 2 major reviews of natural resource projects in 2002-03.

The first project concluded a multi-year joint NRCB-EUB (Energy and Utilities Board) review of a proposed 80-megawatt run-of-the-river hydroelectric project planned for construction on the Peace River. The Board's review included both a pre-hearing conference and two extensive hearings into the proposed project. The joint panel determined that the potential negative economic, social and environmental effects of the project would outweigh the social and economic benefits that might be experienced by the local community, and Albertans in general.

The second project included a joint panel of the NRCB and the Canadian Environmental Assessment Agency (CEAA). Established in March of 2000, the project examined the effects of developing offstream water storage in the Highwood River basin and proposed changes to the diversion plan for the Highwood River. The panel summarized the results of a public meeting to review Alberta Transportation's comparative assessment of alternative storage sites and its progress in completing the proposed Highwood Storage and Diversion Plan.

The NRCB also provides ongoing support, consultation and advice to other departments and agencies. Throughout 2002-03, Board staff were called upon to assist with reviews and hearings through arrangements like the Shared Services Agreements, an agreement the NRCB maintains with the EUB and Alberta Environment.

Core Business:

Regulation of Livestock (CFOs)

2002-03 was the first full year of the NRCB's expanded mandate of regulating new or expanding Confined Feeding Operations (CFOs) and manure management practices in accordance with the regulations under the *Agricultural Operation Practices Act* (AOPA). The NRCB's regulatory functions related to Alberta's confined feeding industries can be categorized into three areas - assessment and approval, compliance and enforcement, and adjudication.

An overview of the NRCB's key operational statistics on regulating confined feeding operations are listed in the table below. Some highlights are:

- the 981 complaints received involved 431 operations. The majority of complaints related to odour/nuisance (42%) and potential water impacts (31%);
- of the 768 inspections carried out by NRCB staff, most (92%) required no further actions by the NRCB's Field Inspectors;
- in addition to the 36 enforcement orders, the NRCB issued 122 verbal directives as part of its enforcement program; and
- in its first year operating under AOPA, the NRCB received requests to review 20 of the 80 decisions issued by Approval Officers and 7 of the 36 Enforcement Orders issued by inspectors. The NRCB found merit in conducting reviews on 22 of the total 27 requests received.

CATEGORY	ANNUAL COUNT
Applications	
Approval Size (larger)	73
Registration Size (smaller)	52
Authorizations (construction or expansion of manure storage facility)	44
Subtotal-Applications	169
Decisions	
Approvals	60
Denials	10
Awaiting further technical details	67
Complete but awaiting further NRCB decision	22
Application withdrawn before NRCB decision	9
Out of scope application	1
Subtotal-Decisions	169
Complaint Management	
Resolved without site visit	167
Forwarded to other agency for resolution	46
Inspection of facilities by NRCB staff	768
Subtotal-Complaint Management	981
Enforcement Orders	
Non compliance with AOPA	14
Creating a risk to the environment/inappropriate disturbance	14
Non-compliance with conditions in existing municipal development permits	8
Subtotal-Enforcement Orders	36

(Based on calendar year January 1-December 31 2002)

Operational Objectives

Key operational objectives contained in the NRCB's *2002-2005 Business Plan* focused on actions that would guarantee timely and effective reviews, reduce conflicts, ensure action, and improve governance. In terms of NRCB performance, the Board:

- adopted a new processes to meet the needs of the new AOPA and delivered a regulatory system for the review, approval, monitoring and enforcement of the confined feeding industry and manure management activities;
- issued a decision within 35 days on average;
- initiated an approach to incorporate dispute resolution and mediation into its review and approval processes for issues associated with livestock developments. In 2002-03, mediation was successfully used in two instances to assist CFO applicants in resolving other parties' concerns with the applicant's proposal;
- developed, communicated and implemented a compliance assurance process for CFO's, including a ladder-type enforcement program;
- developed an annual compliance report summarizing the results of all monitoring and any enforcement actions with respect to CFO's (posted on the NRCB's website);
- implemented an advisory committee to provide additional advice on the NRCB's role and policies;
- implemented an audit and finance committee to ensure that significant business risks were identified and addressed;
- conducted over 200 presentations to a wide range of stakeholders; and
- explored opportunities for utilization of the Alberta Corporate Services Centre to provide cost effective administrative support.

Summary

The NRCB's success over the past year has been illustrated by its ability to meet its performance objectives related to the efficient and effective delivery of reviews of major projects under its original mandate, as well as its ability to transform a living regulatory system for the confined feeding industry. The Board's new business plan promises to continue delivery on its historic business of reviewing and assessing major non-energy natural resource projects, and with the successful completion of the building phase for its new mandate regulating the confined feeding sector, the Board's focus for the 2003-06 planning horizon can now shift to steady improvements in service delivery.

Financial Statement Overview

In the financial statements for the 2002-05 Business Plan, expenses incurred by Ministry Support Services had not been allocated to the five core businesses. These expenses include valuation adjustments and Ministry Support Services which are allocated to each core business based on the percentage of resources required. In the Ministry's financial statements, the valuation adjustments are allocated to programs based on actual activity. The table below shows the allocation of Ministry Support Services and Valuation Adjustments to each Core Business.

Allocation of Ministry Support Services and Valuation Adjustments - Unaudited

(thousands of dollars)

Program	2003 Ministry Actual Expenses	Ministry Support Services	Valuation Adjustments*	Revised 2003 Core Business Expenses
Forest Protection	297,013	9,185	89	306,287
Forest Land and Resource Management	24,249	750	37	25,036
Fish and Wildlife Management	35,733	1,105	47	36,885
Range Land Management	9,635	298	13	9,946
Land Use Disposition Management	29,048	898	40	29,986
Surface Rights and Land Compensation Boards	2,413	75	2	2,490
Natural Resources Conservation Board	4,516	-	-	4,516
Environment Statutory Programs	3,681	-	-	3,681
Total Ministry Expense	**406,288**	**12,311**	**228**	**418,827**

* Note: Valuation adjustments have been re-allocated based on budget.

The financial statements in the 2003-06 Business Plan allocates anticipated expenses for support services to the respective core business.

Analysis of Financial Results
Year ended March 31, 2003

Results of Ministry Operations

The Ministry consolidated revenues in 2002-03 were $176.0 million, which is an increase of $47.2 million from 2001-02 actuals. The Ministry consolidated expenses were $418.8 million, up $118.7 million from 2001-02 actuals. The total Ministry operations resulted in a net operating loss of $248.0 million compared with a net operating shortfall in 2001-02 of $170.5 million.

Ministry Revenues

Timber Royalties and Fees, providing $60.2 million, was the largest source of revenue for the Ministry. Insurance proceeds accounted for $50.1 million while Land and Grazing and other fees provided $52.1 million. The federal government contributed $5.3 million through transfer payments. Various other sources of revenue earned $5.7 million, and investment income provided $2.6 million in revenue.

Ministry Revenue - Comparison of 2002-03 Actuals to 2002-03 Budget

Revenue was $56.8 million higher than budgeted as a result of the following:

- $50.1 million increase in Insurance Proceeds,
- $4.8 million increase in Timber Royalties and Fees,
- $4.4 million increase in Land and Grazing Fees,
- $3.2 million increase in Transfers from Government of Canada,
- $4.2 million decrease in Investment Income,
- $1.5 million decrease in Various Other Revenue, Other Fees, Permits and Licenses.

Ministry Revenue - Comparison of 2002-03 Actuals to 2001-02 Actuals

Revenue was increased by $47.2 million from the previous year due to the following:

- $50.1 million increase in Insurance Proceeds,
- $4.0 million decrease in Timber Royalties and Fees,
- $1.2 million decrease in Land and Grazing Fees,

- $2.2 million increase in Transfers from Government of Canada,
- $0.4 million decrease in Investment Income,
- $0.5 million increase in revenue from Various Other Revenue, Other Fees, Permits, and Licenses.

Ministry Expenses - Comparison of 2002-03 Actuals to 2002-03 Budget

Expenses were $216.5 million more than budgeted.

- Forest Protection required an additional $226.8 million in operating expenses.
- Forest Land and Resource Management spent $4.8 million less than budget.
- Fish and Wildlife Management spent $1.5 million less than budget.
- Rangeland Management and Land Use Disposition Management spent less than budget by $3.1 million.
- Surface Rights and Land Compensation Board required an additional $0.5 million.
- The Natural Resources Emergency Program incurred additional expenditures of $1.6 million from budget.
- Ministry Support Services required an additional $1.3 million.
- Environment Statutory Programs spent $3.5 million less than budget.
- Valuation Adjustments were $0.8 million less than budget.

Ministry Expenses - Comparison of 2002-03 Actuals to 2001-02 Actuals

Expenses were $118.7 million more than last year.

- Forest Protection spent $120.7 million more in 2002-03 than the prior year.
- Forest Land and Resource Management costs were reduced by $3.5 million.
- Fish and Wildlife Management spent $3.5 million less than budget.
- Rangeland Management and Land Use Disposition Management incurred fewer expenses in the prior year, in the amount of $2.7 million.
- Surface Rights and Land Compensation Board spent $0.2 million more than the prior year.
- The Natural Resources Emergency Program had $2.9 million in additional expenses over last year.
- Ministry Support Services was $5.9 million higher than the previous year.
- Environment Statutory Programs lowered expenses by $0.3 million in 2002-03.
- Valuation Adjustments were $1.0 million less than budget.

AUDITOR GENERAL *Alberta*

To the Members of the Legislative Assembly

I have audited the consolidated statement of financial position of the Ministry of Sustainable Resource Development as at March 31, 2003 and the consolidated statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Ministry. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Ministry is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policy that is an exception from Canadian generally accepted accounting principles. Capital asset purchases under $15,000 in the Ministry have been expensed in the year acquired and have not been recognized as assets in the accompanying consolidated statement of financial position. Consequently, the annual amortization of these assets has not been recognized in the consolidated statement of operations. In addition, while the Department of Sustainable Resource Development calculates its capital asset purchases under $15,000, the Environmental Protection and Enhancement Fund does not separately identify such capital purchases. In my opinion, an amount estimated to be at least $17 million, representing the net book value of the Department's capital assets under $15,000 as at March 31, 2003, should be recognized in these financial statements. The amount of adjustment related to the Fund cannot reasonably be determined. Also, the effect of these understatements of assets on expenses cannot reasonably be determined.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these consolidated financial statements present fairly, in all material respects, the financial position of the Ministry as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

I also report that certain provisions and expenses recognized in these consolidated financial statements are also disclosed in the financial statements of the Ministry of Environment. The two provisions on the consolidated statement of financial position, described in Notes 6 and 7 of these financial statements, and the environment statutory programs recorded on the consolidated statement of operations relate to monitoring and restoration activities at the Swan Hills waste treatment plant. Due to government restructuring in March 2001, the responsibility for these provisions and expenses is shared. As a result, the expenses related to these provisions are recognized in both the Ministries of Environment and Sustainable Resource Development. In my opinion, it is uncertain in which ministry's financial statements these provisions and expenses should be recognized.

Fred J. Dunn

FCA
Auditor General

Edmonton, Alberta
May 23, 2003

Consolidated Statement of Operations

Year ended March 31, 2003
(in thousands)

	2003 Budget	2003 Actual	2002 Actual
Revenues			
Transfer from the Government of Canada	$ 2,026	$ 5,256	$ 3,089
Investment Income	6,810	2,612	2,980
Fees, Permits and Licences			
Timber Royalties and Fees	55,466	60,242	64,233
Land and Grazing	40,970	45,419	46,611
Other	6,409	6,733	6,202
Other Revenue			
Insurance Proceeds (Note 9)	-	50,063	-
Various	7,533	5,653	5,680
	119,214	175,978	128,795
Expenses (Schedule 1)			
Forest Protection	70,247	297,013	176,322
Forest Land and Resource Management	29,033	24,249	27,769
Fish and Wildlife Management	37,205	35,733	39,199
Range Land Management	10,317	9,635	10,655
Land Use Disposition Management	31,498	29,048	30,731
Surface Rights and Land Compensation Board	1,865	2,413	2,164
Natural Resources Conservation Board	2,902	4,516	1,600
Ministry Support Services	10,998	12,311	6,439
Environment Statutory Programs	7,250	3,681	4,016
	201,315	418,599	298,895
Valuation Adjustments			
Provision for Doubtful Accounts	655	815	224
Provision (Decrease) for Vacation Pay	400	(587)	985
	1,055	228	1,209
	202,370	418,827	300,104
Gain on Disposal of Capital Assets	(4,000)	(2,811)	(768)
Loss on Write-down of Capital Assets	-	8,019	-
Net Operating Results	$ (79,156)	$ (248,057)	$ (170,541)

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Financial Position

March 31, 2003
(in thousands)

	2003	2002
ASSETS		
Cash (Note 3)	$ 118,768	$ 184,174
Accounts Receivable (Note 4)	45,120	24,815
Inventories (Note 2)	7,357	2,191
Advances	17	71
Capital Assets (Note 5)	142,790	145,986
	$ 314,052	$ 357,237
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 29,935	$ 31,328
Unearned Revenue	33,248	32,821
Provision for Cell Monitoring and Remediation (Note 6)	996	996
Provision for Future Removal and Site Restoration (Note 7)	12,875	12,250
	77,054	77,395
NET ASSETS		
Net Assets at Beginning of Year	279,842	227,221
Net Operating Results	(248,057)	(170,541)
Net Transfer from General Revenues	205,213	223,162
Net Assets at End of Year	236,998	279,842
	$ 314,052	$ 357,237

The accompanying notes and schedules are part of these consolidated financial statements.

Consolidated Statement of Changes in Financial Position

Year ended March 31, 2003
(in thousands)

	2003	2002
Operating Transactions		
Net Operating Results	$ (248,057)	$ (170,541)
Non-cash Items		
Amortization of Capital Assets	4,556	4,264
Consumption of Inventory	1,554	1,388
Loss on Write-down of Capital Assets	8,019	-
Gain on Disposal of Capital Assets	(2,811)	(768)
Nominal Sum Disposals	504	310
Valuation Adjustments	228	1,209
	(236,007)	(164,138)
Decrease (Increase) in Accounts Receivable	(21,120)	21,450
Decrease in Advances	54	38
Decrease in Accounts Payable and Accrued Liabilities	(806)	(1,908)
Increase in Unearned Revenue	427	915
Increase in Provision for Future Removal and Site Restoration	625	625
Cash Used by Operating Transactions	(256,827)	(143,018)
Investing Transactions		
Purchase of Capital Assets	(7,063)	(3,851)
Purchase of Inventory	(1,084)	(1,075)
Proceeds from Disposal of Capital Assets	2,427	1,684
Transfer of Capital Assets from Other Government Entities	(2,436)	(16,996)
Transfer of Inventory	(5,636)	(2,504)
Cash Used by Investing Transactions	(13,792)	(22,742)
Financing Transactions		
Net Transfer from General Revenues	205,213	223,162
Net Cash (Used) Provided	(65,406)	57,402
Cash, Beginning of Year	184,174	126,772
Cash, End of Year	$ 118,768	$ 184,174

The accompanying notes and schedules are part of these consolidated financial statements.

Note 1

Authority and Purpose

The Minister of Sustainable Resource Development has been designated as responsible for various Acts by the *Government Organization Act* and its regulations. To fulfill these responsibilities, the Minister administers the organizations listed below. The authority under which the organizations operate is also listed. Together, these organizations form the Ministry of Sustainable Resource Development (the Ministry).

Organization	Authority
The Department of Sustainable Resource Development	*Government Organization Act*
Environmental Protection and Enhancement Fund	*Environmental Protection and Enhancement Act*
Natural Resources Conservation Board	*Natural Resources Conservation Board Act*

The Ministry's core businesses are:

Forest Protection - protects the multiple values received from forests in the Forest Protection Area.

Forest Land and Resource Management - ensures Alberta's forests and forest lands are managed to support a full range of uses and values for Albertans.

Fish and Wildlife Management - manages Alberta's fish and wildlife resources to preserve their intrinsic value to the environment as well as their recreational and economic values.

Rangeland Management - manages Alberta's public rangelands to support a full range of values that include grazing, energy extraction, recreational use, and wildlife habitat.

Land Use Disposition Management - ensures dispositions are efficiently and effectively managed to reflect a balanced use and stewardship of Alberta's public lands.

Note 2

Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all ministries.

(a) Reporting Entity

The reporting entity is the Ministry of Sustainable Resource Development, for which the Minister of Sustainable Resource Development is accountable.

These financial statements include activities of the Department of Sustainable Resource Development, the Environmental Protection and Enhancement Fund, and the Natural Resources Conservation Board.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Ministry has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:

- amortization of capital assets,
- pension costs which comprise the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Ministry operations are disclosed in Schedule 3.

Assets

Financial assets of the Ministry are limited to financial claims, such as advances to and receivables from employees and other organizations or individuals.

Assets acquired by right are not included. Capital assets of the Ministry are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100 and the threshold for all other capital assets is $15. All land is capitalized.

Donated capital assets are recorded at their fair value at the time of contribution.

When physical assets (capital assets and inventories) are gifted or sold for a nominal sum to parties external to the government reporting entity, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Consumable Inventory

Effective March 31, 2003, the Ministry extended its accounting policy to include consumable inventory relating to forest protection. This change in application of accounting policy has been applied on a prospective basis resulting in the reduction of the expenses and an increase in net assets of the Ministry by $4,139 for the year ended March 31, 2003.

Liabilities

Liabilities include all financial claims payable by the Ministry at fiscal year end.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Ministry and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, and accounts payable and accrued liabilities are estimated to approximate their carrying values.

Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Accruals related to the Softwood Lumber Agreement, forming part of accounts receivable and recorded as $6,370 in these financial statements, are subject to measurement uncertainty. Until March 31, 2001, trade in softwood lumber between Canada and the United States was governed by the Softwood Lumber Agreement. The Alberta and Canadian governments are discussing the use of some of this receivable to defend Alberta's position against possible future countervailing challenges or duties. The cost of defending countervails may be greater than allowed for in calculating the accrual. Therefore, the actual amount collected related to the Softwood Lumber Agreement could vary significantly from that estimated.

Note 3

Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund (CCITF) which is managed by Alberta Finance to provide competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital.

	2003	2002
CCITF Cash	$ 111,001	$ 175,894
Accountable Advances	5,743	6,330
Cash in Transit	2,024	1,950
Total Cash	$ 118,768	$ 184,174

Note 4

Accounts Receivable

	2003			2002
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 55,521	$ 10,401	$ 45,120	$ 24,815

Accounts receivable are unsecured and interest bearing.

Note 5

Capital Assets

	Estimated Useful Life	2003 Cost	2003 Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
General Capital Assets:					
Land	Infinite	$ 100,465	$ -	$ 100,465	$ 98,136
Buildings	40 years	27,147	13,369	13,778	12,024
Equipment	3-10 years	13,823	8,051	5,772	2,749
Computer Hardware and Software	5-10 years	14,015	6,729	7,286	7,615
Other	20-50 years	18,538	11,478	7,060	16,240
Infrastructure Assets:					
Land Improvements	10-40 years	43,948	36,968	6,980	7,621
Highways and Roads	50 years	5,952	4,589	1,363	1,511
Dam and Water Management Structures	25-80 years	97	11	86	90
		$ 223,985	$ 81,195	$ 142,790	$ 145,986

Land includes land acquired for building sites, infrastructure and other program use.

Equipment includes office, laboratory, vehicles, heavy, mobile and fire protection equipment.

Roads consist of original pavement, roadbed, drainage works and traffic control devices.

Other includes aircraft and aircraft engines.

Changes to capital assets were as follows:

	2003	2002
Net Book Value at Beginning of Year	$ 145,986	$ 130,629
Capital Assets Purchased	7,063	3,851
Disposals and Write Downs	(8,140)	(1,226)
Transfer with other Government Entities	2,437	16,996
Amortization of Capital Assets	(4,556)	(4,264)
Net Book Value at End of Year	$ 142,790	$ 145,986

Note 6

Provision for Cell Monitoring and Remediation

The Environmental Protection and Enhancement Fund (the Fund) provides a grant to the Ministry of Environment which is responsible for maintaining the integrity of landfill cells at the Swan Hills Waste Treatment Plant. When transferred to the Fund on November 1, 1998, the estimated obligation for required future cell monitoring, repair, or replacement was $1,050. In 2003 the Fund expensed $35 in the Special Waste Management Program to fulfill its monitoring duties.

Note 7

Provision for Future Removal and Site Restoration

The responsibility for section 30 of the *Environmental Protection and Enhancement Act* is the common responsibility of the Minister of Sustainable Resource Development and the Minister of Environment. Therefore, the Fund includes the liability for site remediation upon closure of the Swan Hills Waste Treatment Plant.

As at March 31, 1998, $9,750 had been amortized. The remaining $11,250 of unamortized costs is being amortized at $625 per year over the remaining 18 years. Because decommissioning methods and cost assumptions can change, these estimates may decrease or increase by a material amount.

Effective December 31, 2000, BOVAR returned the Swan Hills Waste Treatment Plant to Alberta Environment. The Alberta Government has contracted with a private sector company to operate the plant. Operating results of the plant are reported by the Ministry of Infrastructure.

Note 8

Commitments

As at March 31, 2003, the Ministry has the following commitments:

	2003	2002
Construction contracts	$ 12,954	$ -
Service contracts	123,396	118,496
Long-term leases (a)	7,713	5,044
Grants	1,158	623
	$ 145,221	$ 124,163

(a) The Ministry leases certain equipment under operating leases that expire on various dates to 2008. The aggregate amounts payable for the unexpired terms of these leases are as follows:

2004	$ 3,080
2005	2,379
2006	1,567
2007	577
2008	110
	$ 7,713

Note 9

Insurance Proceeds

In 2002-03, the Ministry of Sustainable Resource Development purchased forest fire insurance for a premium of $12,500. The insurance contract included conditions that must be met to initiate a payout. The 2002-03 fire season met these conditions, resulting in a $50,063 insurance payout to the Ministry.

Note 10

Contingencies

At March 31, 2003, the Ministry is a defendant in twenty seven legal claims (2002 - twenty four). Twenty five of these claims total approximately $120,415 (2002 - 23 claims total approximately $137,718). For the other two claims, no specified amount has yet been claimed (2002 - 1 claim). The Ministry was named as the sole defendant in four legal claims. Three of these claims total approximately $3,331 and one claim has no specified amount (2002 - four legal claims totalling $8,896). In addition, there are seven claims in which the Ministry has been jointly named with other entities (2002 - six legal claims). Six of these claims have specified amounts totalling approximately $55,056 and the remaining claim has no specified amount (2002 - five legal claims totalling $67,529 and one claim with no specified amount). Sixteen claims amounting to approximately $62,028 are covered by the Alberta Risk Management Fund (2002 - fourteen legal claims totalling $61,293).

The resulting loss, if any, from these claims cannot be determined.

The Ministry is actively involved in various legal actions to recover amounts spent on fighting forest fires. The outcome of these actions is not determinable at the present time; however, the amounts that may be recovered are potentially significant.

Note 11

Trust Funds Under Administration

The Ministry administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Ministry's financial statements.

As at March 31, 2003 trust funds under administration were as follows:

	2003	2002
General Trust	$ 11,538	$ 11,003
Junior Forest Ranger Program	51	74
	$ 11,589	$ 11,077

In addition to the above trust funds under administration, the Ministry holds bank guarantees in the form of letters of credit and promissory notes in the amount of $19,648 (2002 - $17,948).

Note 12

Defined Benefit Plans

The Ministry participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Ministry also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,414 for the year ended March 31, 2003 (2002 - $4,038).

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968 (2001-surplus $5,338) and the Public Service Pension Plan reported an actuarial deficiency of $175,528 (2001-actuarial surplus $320,487). At December 31, 2002, the Supplementary Retirement Plan for Public Managers had an actuarial surplus of $6,472 (2001-actuarial deficiency $399).

The Ministry also participates in two multiemployer Long Term Disability Income Continuance Plans. At March 31, 2003, the Bargaining Unit Plan reported an actuarial deficiency of $14,434 (2002-$8,646) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $3,053 (2002-$2,656). The expense for these two plans is limited to employer's annual contributions for the year.

Note 13

Subsequent Events

During 2002-03, the Ministry signed a Master Lease Agreement with a private contractor for a satellite based mobile radio network service called Firenet. Under the Agreement, the contractor would build Firenet and lease the service to the Ministry for 10 years. Prior to March 31, 2003, the contractor and the Ministry reached a verbal agreement to change the terms of the Agreement from a lease to a construction project owned by the Ministry. On this basis, the Ministry capitalized $2,046 in costs relating to the work completed by March 31, 2003.

Formal contracts to restructure the Agreement between the two parties were signed on May 20, 2003. At that time, ownership of all Firenet equipment passed to the Ministry pursuant to the provisions of the contracts. The Ministry's note eight includes a construction contract commitment in the amount of $12,954 and a service contract in the amount of $15,000 relating to the Firenet system.

Note 14

Comparative Figures

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Note 15

Approval of Financial Statements

The consolidated financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule to the Consolidated Financial Statements
Expense Detailed by Object
Year ended March 31, 2003
(in thousands)

Schedule 1

	2003		2002
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	$ 107,878	$ 123,260	$ 109,678
Supplies and Services	69,817	276,630	166,583
Supplies and Services from Support Service Arrangements with Related Parties (a)	4,208	4,027	4,548
Grants	12,073	7,126	12,130
Financial Transactions and Other	52	1,446	304
Amortization of Capital Assets	7,287	6,110	5,652
	$ 201,315	$ 418,599	$ 298,895
Statutory			
Valuation Adjustments			
Provision for Doubtful Accounts	$ 655	$ 815	$ 224
Provision (Decrease) for Vacation Pay	400	(587)	985
	$ 1,055	$ 228	$ 1,209

(a) The Ministry receives financial and administrative services from the Ministry of Environment.

Schedule to the Consolidated Financial Statements
Related Party Transactions
Year ended March 31, 2003
(in thousands)

Schedule 2

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Ministry.

The Ministry and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Ministry had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Other Government of Alberta Entities	
	2003	2002
Revenues		
Fees and charges	$ 215	$ 111
Expenses - Directly Incurred		
Other services	$ 12,766	$ 10,800
Capital Assets Transferred	$ 2,437	$ 16,996
Receivable from	$ 307	$ 263
Payable to	$ -	$ -
Advances from	$ -	$ -

The Ministry also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 3.

	Other Government of Alberta Entities	
	2003	2002
Expenses-Incurred by Others		
Accommodation	$ 15,645	$ 14,420
Legal	702	482
	$ 16,347	$ 14,902

Schedule to the Consolidated Financial Statements
Allocated Costs
Year ended March 31, 2003
(in thousands)

Schedule 3

Program	2003 Expenses(1)	Expenses-Incurred by Others: Accommodation Costs	Expenses-Incurred by Others: Legal Services	Valuation Adjustments: Vacation Pay	Valuation Adjustments: Doubtful Accounts	2003 Expenses	2002 Expenses
Forest Protection	$ 297,013	$ 4,424	$ 126	$ (53)	$ 386	$ 301,896	$ 181,113
Forest Land and Resource Management	24,249	2,388	118	(97)	323	26,981	30,593
Fish and Wildlife Management	35,733	3,694	275	(223)	-	39,479	43,230
Range Land Management	9,635	1,387	37	(98)	26	10,987	10,924
Land Use Disposition Management	29,048	2,313	115	(217)	80	31,339	33,663
Surface Rights and Land Compensation Board	2,413	174	-	(49)	-	2,538	2,613
Natural Resources Conservation Board	4,516	308	-	-	-	4,824	1,760
Ministry Support Services	12,311	957	31	150	-	13,449	7,094
Environment Statutory Programs	3,681	-	-	-	-	3,681	4,016
	$ 418,599	$ 15,645	$ 702	$ (587)	$ 815	$ 435,174	$ 315,006

(1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

AUDITOR GENERAL *Alberta*

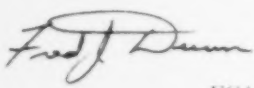
To the Minister of Sustainable Resource Development

I have audited the statement of financial position of the Department of Sustainable Resource Development as at March 31, 2003 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the management of the Department. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Department is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policy that is an exception from Canadian generally accepted accounting principles. Capital asset purchases under $15,000 have been expensed in the year acquired and have not been recognized as assets in the accompanying statement of financial position. Consequently, the annual amortization of these assets has not been recognized in the statement of operations. In my opinion, these financial statements should recognize capital assets under $15,000 with a net book value estimated to be at least $17 million. The effect of not recognizing these capital assets is to understate net assets by the same amount. The effect on expenses cannot reasonably be determined.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Department as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.



FCA
Auditor General

Edmonton, Alberta
May 23, 2003

Statement of Operations
Year ended March 31, 2003
(in thousands)

	2003 Budget (Schedule 4)	2003 Actual	2002 Actual
Revenues (Schedules 1 and 2)			
Internal Government Transfers			
Transfer to the Environmental Protection and Enhancement Fund	$ (43,196)	$ (106,188)	$ (60,529)
Remission of Surplus from the Environmental Protection and Enhancement Fund	34,416	96,563	44,703
Transfer from the Government of Canada	2,026	5,256	3,089
Fees, Permits and Licences	102,845	112,394	117,046
Investment Income	50	50	70
Other Revenue			
Insurance Proceeds (Note 7)	-	50,063	-
Various	3,182	4,433	4,220
	99,323	162,571	108,599
Expenses - Directly Incurred (Note 2b and Schedule 8)			
Voted (Schedules 2, 3 and 5)			
Ministry Support Services	10,971	12,276	6,395
Forest Protection	54,225	283,940	158,621
Forest Land and Resource Management	25,145	23,565	26,156
Fish and Wildlife Management	36,725	35,463	38,836
Public Lands Management	38,415	36,595	39,939
Surface Rights and Land Compensation Board	1,865	2,413	2,164
Natural Resources Conservation Board	2,858	3,258	2,308
Amortization of Capital Assets	7,237	5,977	5,620
Nominal Sum Disposals	4,000	504	310
	181,441	403,991	280,349
Valuation Adjustments			
Provision for Doubtful Accounts	655	815	224
Provision (Decrease) for Vacation Pay	400	(587)	985
	1,055	228	1,209
Total Expenses	182,496	404,219	281,558
Gain on Disposal of Capital Assets	(4,000)	(2,811)	(768)
Loss on Write-down of Capital Assets	-	8,019	-
Net Operating Results	$ (79,173)	$ (246,856)	$ (172,191)

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position

March 31, 2003
(in thousands)

	2003	2002
ASSETS		
Cash	$ 7,767	$ 8,280
Accounts Receivable (Note 3)	65,566	69,459
Advances	17	71
Inventories (Note 2)	7,357	2,191
Capital Assets (Note 4)	141,174	144,553
	$ 221,881	$ 224,554
LIABILITIES		
Accounts Payable and Accrued Liabilities (Note 5)	$ 109,008	$ 70,245
Unearned Revenue	26,641	26,434
	135,649	96,679
NET ASSETS		
Net Assets at Beginning of Year	127,875	76,904
Net Operating Results	(246,856)	(172,191)
Net Transfer from General Revenues	205,213	223,162
Net Assets at End of Year	86,232	127,875
	$ 221,881	$ 224,554

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Financial Position

Year ended March 31, 2003
(in thousands)

	2003	2002
Operating Transactions		
Net Operating Results	$ (246,856)	$ (172,191)
Non-cash Items		
Amortization of Capital Assets	4,423	4,232
Consumption of Inventory (Note 2)	1,554	1,388
Loss on Writedown	8,019	-
Gain on Disposal of Capital Assets	(2,810)	(768)
Nominal Sum Disposals	504	310
Valuation Adjustments	228	1,209
	(234,938)	(165,820)
Decrease (Increase) in Accounts Receivable	3,078	(20,251)
Decrease in Advances	54	38
Increase (Decrease) in Accounts Payable and Accrued Liabilities	39,349	(16,981)
Increase in Unearned Revenue	207	1,545
Cash Used by Operating Transactions	(192,250)	(201,469)
Investing Transactions		
Purchase of Capital Assets	(6,747)	(3,555)
Purchase of Inventory	(1,084)	(1,075)
Proceeds from Disposal of Capital Assets	2,427	1,684
Transfer of Capital Assets from Other Government Entities	(2,436)	(16,996)
Transfer of Inventory	(5,636)	(2,504)
Cash Used by Investing Transactions	(13,476)	(22,446)
Financing Transactions		
Net Transfer from General Revenues	205,213	223,162
Net Cash Used	(513)	(753)
Cash, Beginning of Year	8,280	9,033
Cash, End of Year	$ 7,767	$ 8,280

The accompanying notes and schedules are part of these financial statements.

Note 1

Authority and Purpose

The Department of Sustainable Resource Development (the Department) operates under the authority of the *Government Organization Act*, Chapter G-10, Revised Statues of Alberta 2000.

The Department's core businesses are:

- Industry Development to foster development, investment, trade and research in Alberta's forest resources, develop and research fish and wildlife and public land resources while establishing and optimizing Albertans' share of revenue from forest, fish and wildlife and public land development.
- Resource Stewardship to manage the disposition of timber, fish, wildlife and public land allocations and ensure forest protection.

Note 2

Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These financial statements are prepared in accordance with the following accounting policies that have been established by government for all departments.

(a) Reporting Entity

The reporting entity is the Department of Sustainable Resource Development, which is part of the Ministry of Sustainable Resource Development (the Ministry) and for which the Minister of Sustainable Resource Development is accountable. Other entities reporting to the Minister include the Environmental Protection and Enhancement Fund and the Natural Resources Conservation Board. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

All departments of the Government of Alberta operate within the General Revenue Fund (the Fund). The Fund is administered by the Minister of Finance. All cash receipts of departments are deposited into the Fund and all cash disbursements made by departments are paid from the Fund. Net transfer from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entity making the transfer does not receive any goods or services directly in return.

The Department transfers all revenue received by the Department that is in excess of the Department's base revenue of $51,482 to the Environmental Protection and Enhancement Fund. The Environmental Protection and Enhancement Fund transfers any equity in excess of $150,000 to Alberta Finance through the Department of Sustainable Resource Development.

Dedicated Revenue

Dedicated revenue initiatives provide a basis for authorizing spending. Dedicated revenues must be shown as credits or recoveries in the details of the Government Estimates for a supply vote. If actual dedicated revenues are less than budget and total voted expenses are not reduced by an amount sufficient to cover the deficiency in dedicated revenues, the following year's voted expenses are encumbered. If actual dedicated revenues exceed budget, the Department may, with the approval of Treasury Board, use the excess revenue to fund additional expenses of the program. Schedule 2 discloses information on the Department's dedicated revenue initiatives.

Expenses

Directly Incurred

Directly incurred expenses are those costs the Department has primary responsibility and accountability for, as reflected in the Government's budget documents.

In addition to program operating expenses like salaries, supplies, etc., directly incurred expenses also include:

- amortization of capital assets,
- pension costs which comprise the cost of employer contributions for current service of employees during the year, and
- valuation adjustments which include changes in the valuation allowances used to reflect financial assets at their net recoverable or other appropriate value. Valuation adjustments also represent the change in management's estimate of future payments arising from obligations relating to vacation pay.

Incurred by Others

Services contributed by other entities in support of the Department operations are disclosed in Schedule 8.

Assets

Financial assets of the Department are limited to financial claims, such as advances to and receivables from employees and other organizations or individuals.

Assets acquired by right are not included. Capital assets of the Department are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. The threshold for capitalizing new systems development is $100 and the threshold for all other capital assets is $15. All land is capitalized.

Donated capital assets are recorded at their fair value at the time of contribution.

When physical assets (capital assets and inventories) are gifted or sold for a nominal sum to parties external to the government reporting entity, the fair values of these physical assets less any nominal proceeds are recorded as grants in kind.

Consumable Inventory

Effective March 31, 2003, the Department extended its accounting policy to include consumable inventory relating to forest protection. This change in appplication of accounting policy has been applied on a prospective basis resulting in the reduction of the expenses and an increase in net assets of the Department by $4,139 for the year ended March 31, 2003.

Liabilities

Liabilities represent all financial claims payable by the Department at fiscal year end.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Department and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, advances, and accounts payable and accrued liabilities are estimated to approximate their carrying values.

Measurement Uncertainty

Measurement uncertainty exists when there is a significant variance between the amount recognized in the financial statements and another reasonably possible amount. Accruals related to the Softwood Lumber Agreement, forming part of accounts receivable and recorded as $6,370 in these financial statements, are subject to measurement uncertainty. Until March 31, 2001, trade in softwood lumber between Canada and the United States was governed by the Softwood Lumber Agreement. The Alberta and Canadian governments are discussing the use of some of this receivable to defend Alberta's position against possible future countervailing challenges or duties. The cost of defending countervails may be greater than allowed for in calculating the accrual. Therefore, the actual amount collected related to the Softwood Lumber Agreement could vary significantly from that estimated.

Note 3

Accounts Receivable

	2003			2002
	Gross Amount	Allowance for Doubtful Accounts	Net Realizable Value	Net Realizable Value
Accounts receivable	$ 74,709	$ 10,401	$ 64,308	$ 67,915
Refunds from suppliers	1,258	-	1,258	1,544
	$ 75,967	$ 10,401	$ 65,566	$ 69,459

Accounts receivable are unsecured and interest bearing.

Note 4

Capital Assets

	Estimated Useful Life	2003 Cost	2003 Accumulated Amortization	2003 Net Book Value	2002 Net Book Value
General Capital Assets:					
Land	Infinite	$ 100,465	$ -	$ 100,465	$ 98,136
Buildings	40 years	25,673	13,006	12,667	10,913
Equipment	3-10 years	13,507	7,921	5,586	2,636
Computer Hardware and Software	5-10 years	13,536	6,569	6,967	7,406
Other	20-50 years	18,538	11,478	7,060	16,240
Infrastructure Assets:					
Land Improvements	10-40 years	43,948	36,968	6,980	7,621
Highways and Roads	50 years	5,952	4,589	1,363	1,511
Dam and Water Management Structures	25-80 years	97	11	86	90
		$ 221,716	$ 80,542	$ 141,174	$ 144,553

Land includes land acquired for building sites, infrastructure and other program use.

Equipment includes office, laboratory, vehicles, heavy, mobile and fire protection equipment.

Roads consist of original pavement, roadbed, drainage works and traffic control devices.

Other includes aircraft and aircraft engines.

Changes to capital assets were as follows:

	2003	2002
Net Book Value at Beginning of Year	$ 144,553	$ 129,461
Capital Assets Purchased	6,747	3,555
Disposals and Write Downs	(8,140)	(1,227)
Transfer with other Government Entities	2,437	16,996
Amortization of Capital Assets	(4,423)	(4,232)
Net Book Value at End of Year	$ 141,174	$ 144,553

Note 5

Accounts Payable

	2003	2002
Payable to Environmental Protection and Enhancement Fund	$ 77,548	$ 41,535
Consumable Inventory Transfer	3,603	-
Accrued Liabilities	14,240	14,063
Reforestation	-	4,000
Accounts Payable General	3,556	-
Vacation Pay	10,061	10,647
	$ 109,008	$ 70,245

Note 6

Commitments

As at March 31, 2003, the Department has the following commitments:

	2003	2002
Construction contracts	$ 12,954	$ -
Service contracts	29,616	15,846
Long-term leases (a)	6,059	3,073
Grants	1,158	623
	$ 49,787	$ 19,542

(a) The Department leases certain equipment under operating leases that expire on various dates to 2007. The aggregate amounts payable for the unexpired terms of these leases are as follows:

2004	$ 2,448
2005	1,902
2006	1,300
2007	409
	$ 6,059

Note 7

Insurance Proceeds

In 2002-03, the Department of Sustainable Resource Development purchased forest fire insurance for a premium of $12,500. The insurance contract included conditions that must be met to initiate a payout. The 2002-03 fire season met these conditions, resulting in a $50,063 insurance payout to the Department.

Note 8

Contingencies

At March 31, 2003, the Department is a defendant in twenty seven legal claims (2002 - twenty four). Twenty five of these claims total approximately $120,415 (2002 - 23 claims total approximately $137,718). For the other two claims, no specified amount has yet been claimed (2002 - 1 claim). The Department was named as the sole defendant in four legal claims. Three of these claims total approximately $3,331 and one claim has no specified amount (2002 - four legal claims totalling $8,896). In addition, there are seven claims in which the Department has been jointly named with other entities (2002 - six legal claims). Six of these claims have specified amounts totalling approximately $55,056 and the remaining claim has no specified amount (2002 - five legal claims totalling $67,529 and one claim with no specified amount). Sixteen claims amounting to approximately $62,028 are covered by the Alberta Risk Management Fund (2002 - fourteen legal claims totalling $61,293).

The resulting loss, if any, from these claims cannot be determined.

The Department is actively involved in various legal actions to recover amounts spent on fighting forest fires. The outcome of these actions is not deteminable at the present time; however, the amounts that may be recovered are potentially significant.

Note 9

Trust Funds Under Administration

The Department administers trust funds that are regulated funds consisting of public money over which the Legislature has no power of appropriation. Because the Province has no equity in the funds and administers them for the purpose of various trusts, they are not included in the Department's financial statements.

As at March 31, 2003 trust funds under adminstration were as follows:

	2003	2002
General Trust	$ 11,538	$ 11,003
Junior Forest Ranger Program	51	74
	$ 11,589	$ 11,077

In addition to the above trust funds under administration, the Department holds bank guarantees in the form of letters of credit and promissory notes in the amount of $19,648 (2002, $17,948).

Note 10

Defined Benefit Plans

The Department participates in the multiemployer pension plans, Management Employees Pension Plan and Public Service Pension Plan. The Department also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of $4,184 for the year ended March 31, 2003 (2002 - $3,969).

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968 (2001-surplus $5,338) and the Public Service Pension Plan reported an actuarial deficiency of $175,528 (2001-actuarial surplus $320,487). At December 31, 2002, the Supplementary Retirement Plan for Public Managers had an actuarial surplus of $6,472 (2001-actuarial deficiency $399).

The Department also participates in two multiemployer Long Term Disability Income Continuance Plans. At March 31, 2003, the Bargaining Unit Plan reported an actuarial deficiency of $14,434 (2002-$8,646) and the Management, Opted Out and Excluded Plan an actuarial deficiency of $3,053 (2002-$2,656). The expense for these two plans is limited to employer's annual contributions for the year.

Note 11

Subsequent Events

During 2002-03, the Department signed a Master Lease Agreement with a private contractor for a satellite based mobile radio network service called Firenet. Under the Agreement, the contractor would build Firenet and lease the service to the Department for 10 years. Prior to March 31, 2003, the contractor and the Department reached a verbal agreement to change the terms of the Agreement from a lease to a construction project owned by the Department. On this basis, the Department capitalized $2,046 in costs relating to the work completed by March 31, 2003.

Formal contracts to restructure the Agreement between the two parties were signed on May 20, 2003. At that time, ownership of all Firenet equipment passed to the Department pursuant to the provisions of the contracts. The Department's note six includes a construction contract commitment in the amount of $12,954 and a service contract in the amount of $15,000 relating to the Firenet system.

Note 12

Comparative Figures

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Note 13

Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule to the Financial Statements
Revenues
Year ended March 31, 2003
(in thousands)

Schedule 1

	2003		2002
	Budget	Actual	Actual
Internal Government Transfers			
Transfer to the Environmental Protection and Enhancement Fund	$ (43,196)	$ (106,188)	$ (60,529)
Remission of Surplus from the Environmental Protection and Enhancement Fund	34,416	96,563	44,703
	(8,780)	(9,625)	(15,826)
Transfers from the Government of Canada	2,026	5,256	3,089
Fees, Permits and Licences			
Timber Royalties and Fees	55,466	60,242	64,233
Land and Grazing	40,970	45,419	46,611
Other	6,409	6,733	6,202
	102,845	112,394	117,046
Investment Income	50	50	70
Other Revenue			
Insurance Proceeds	-	50,063	-
Various	3,182	4,433	4,220
	3,182	54,496	4,220
	$ 99,323	$ 162,571	$ 108,599

Schedule to the Financial Statements
Dedicated Revenue Initiatives
Year ended March 31, 2003
(in thousands)

Schedule 2

	2003		
	Authorized Dedicated Revenues	Actual Dedicated Revenues	(Shortfall) / Excess
Hinton Training Centre	$ 200	$ 168	$ (32)
Smoky Lake Tree Improvement Centre	75	83	8
Spatial Data Warehouse	950	1,020	70
Public Lands	12,200	12,440	240
	$ 13,425	$ 13,711	$ 286

The Hinton Training Centre dedicated revenue initiative was established for the purpose of collecting revenue for room and board and for classroom utilization including audio visual equipment. Also included is the sale of interactive fire compact discs for national and international studies. The users/customers include universities, youth groups and armed forces.

The Smoky Lake Tree Improvement Centre dedicated revenue initiative is to account for the project dollars received from the Manning Diversified Research Trust Fund for the project work performed by the Alberta Tree Improvement and Seed Centre (ATISC) which entails scientific work, genetic resources conservation and technology transfer for regional forest improvement in the Peace Region.

The Spatial Data Warehouse dedicated revenue initiative was established for the purpose of updating the cadastral base maps. The source of this dedicated revenue is a filing fee for each survey plan filed at Land Titles Office.

Public Lands Management dedicated revenue of $4,700 and Grazing Reserves dedicated revenue of $7,740 from the collection of fees for various dispositions (such as grazing, surface, etc.) were established pursuant to the *Public Lands Act*. This dedicated revenue is associated with the delivery of Public Lands services related to the day-to-day management responsibility and administering decisions regarding planning for public lands allocated to an agricultural use, based on a multiple use philosophy.

Note: The dedicated revenues presented in this schedule are included in the Department's Statement of Operations.

Schedule to Financial Statements
Expenses-Directly Incurred Detailed by Object
Year ended March 31, 2003
(in thousands)

Schedule 3

	2003		2002
	Budget	Actual	Actual
Voted			
Salaries, Wages and Employee Benefits	$ 92,422	$ 87,056	$ 80,948
Supplies and Services	38,424	44,578	40,228
Supplies and Services from Support Service Arrangements with Related Parties (a)	4,208	4,027	4,548
Grants	39,098	262,285	148,941
Financial Transactions and Other	52	68	64
Amortization of Capital Assets	7,237	5,977	5,620
	$ 181,441	$ 403,991	$ 280,349
Statutory			
Valuation Adjustments			
Provision for Doubtful Accounts	$ 655	$ 815	$ 224
Provision (Decrease) for Vacation Pay	400	(587)	985
	$ 1,055	$ 228	$ 1,209

(a) The Department receives financial and administrative services from the Ministry of Environment.

Schedule to Financial Statements
Budget
Year ended March 31, 2003
(in thousands)

Schedule 4

	2002-2003 Estimates	2002-2003 Budget	Authorized Supplementary (a)	2002-2003 Authorized Budget
Revenues (Schedules 1 and 2)				
Transfer to the Environmental Protection and Enhancement Fund	$ (43,196)	$ (43,196)	$ -	$ (43,196)
Transfer from the Environmental Protection and Enhancement Fund	34,416	34,416	-	34,416
Transfer from the Government of Canada	2,026	2,026	-	2,026
Fees, Permits and Licences	102,845	102,845	-	102,845
Investment Income	50	50	-	50
Other Revenue	3,182	3,182	-	3,182
	99,323	99,323	-	99,323
Expenses-Directly Incurred				
Voted Expenses				
Ministry Support Services	10,971	10,971	-	10,971
Forest Protection	54,225	54,225	247,875	302,100
Forest Land and Resource Management	25,145	25,145	-	25,145
Fish and Wildlife Management	36,725	36,725	-	36,725
Public Lands Management	38,415	38,415	-	38,415
Surface Rights and Land Compensation Board	1,865	1,865	-	1,865
Natural Resources Conservation Board	2,858	2,858	400	3,258
Amortization	7,237	7,237	-	7,237
Nominal Sum Disposals	4,000	4,000	-	4,000
	181,441	181,441	248,275	429,716
Statutory Expenses				
Valuation Adjustments				
Provision for Doubtful Accounts	655	655	-	655
Provision for Vacation Pay	400	400	-	400
	1,055	1,055	-	1,055
	182,496	182,496	248,275	430,771
Gain on Disposal of Capital Assets	4,000	4,000	-	4,000
Net Operating Results	$ (79,173)	$ (79,173)	$(248,275)	$(327,448)
Capital Investment	$ 3,035	$ 3,035	$ -	$ 3,035

(a) Supplementary Estimates were approved on December 4, 2002 for $229,200 and on March 10, 2003 for $19,075. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

Schedule to Financial Statements
Comparison of Expenses - Directly Incurred and Capital Investments by Element to Authorized Budget
Year ended March 31, 2003
(in thousands)

Schedule 5

	2002-2003 Estimates	2002-2003 Budget	2002-2003 Authorized Supplementary (a)	2002-2003 Authorized Budget	2002-03 Actual (b)	Unexpended (Over Expended)
Voted Expenses and Capital Investments						
Ministry Support Services						
1.0.1 Minister's Office	$ 342	$ 342	$ -	$ 342	$ 342	$ -
1.0.2 Deputy Minister's Office	380	380	-	380	361	19
1.0.3 Regional Offices	1,800	1,800	-	1,800	3,684	(1,884)
1.0.4 Policy and Planning	2,051	2,051	-	2,051	1,822	229
1.0.5 Communications	804	804	-	804	832	(28)
1.0.6 Human Resources	1,810	1,810	-	1,810	492	1,318
1.0.7 Strategic Corporate Services	3,784	3,784	-	3,784	3,775	9
1.0.8 Amortization of Capital Assets	27	27	-	27	35	(8)
1.0.9 Achievement Bonus	-	-	-	-	968	(968)
	10,998	10,998	-	10,998	12,311	(1,313)
Forest Protection						
2.0.1 Wildfire Service	17,246	17,246	-	17,246	21,815	(4,569)
2.0.2 Wildfire Prevention	3,862	3,862	-	3,862	3,253	609
2.0.3 Wildfire Operations						
- Operating Expense	32,920	32,920	247,875	280,795	257,652	23,143
- Capital Investment	3,000	3,000	-	3,000	6,524	(3,524)
2.0.4 Forest Fire Information and Community Programs	197	197	-	197	1,220	(1,023)
2.0.5 Fire Reclamation	-	-	-	-	-	-
2.0.6 Amortization of Capital Assets	4,022	4,022	-	4,022	3,999	23
	61,247	61,247	247,875	309,122	294,463	14,659
Forest Land and Resource Management						
3.0.1 Forest Policy	283	283	-	283	206	77
3.0.2 Forest Management Planning						
- Operating Expense	6,111	6,111	-	6,111	6,434	(323)
- Capital Investment	35	35	-	35	162	(127)
3.0.3 Forest Operations	16,380	16,380	-	16,380	12,772	3,608
3.0.4 Forest Business	2,371	2,371	-	2,371	4,153	(1,782)
3.0.5 Amortization of Capital Assets	1,388	1,388	-	1,388	170	1,218
3.0.6 Nominal Sum Disposals	2,000	2,000	-	2,000	-	2,000
	28,568	28,568	-	28,568	23,897	4,671
Fish and Wildlife Management						
4.0.1 Policy and Strategic Planning	187	187	-	187	259	(72)
4.0.2 Business Management	7,797	7,797	-	7,797	4,810	2,987
4.0.3 Fisheries and Wildlife Management						
- Operating Expense	12,792	12,792	-	12,792	13,673	(881)
- Capital Investment	-	-	-	-	240	(240)
4.0.4 Enforcement Field Services						
- Operating Expense	15,949	15,949	-	15,949	16,721	(772)
- Capital Investment	-	-	-	-	21	(21)
4.0.5 Amortization of Capital Assets	400	400	-	400	190	210
	37,125	37,125	-	37,125	35,914	1,211

Schedule to Financial Statements
Comparison of Expenses - Directly Incurred and Capital Investments by Element to Authorized Budget
Year ended March 31, 2003
(in thousands)

Schedule 5 - cont'd

	2002-2003 Estimates	2002-2003 Budget	2002-2003 Authorized Supplementary (a)	2002-2003 Authorized Budget	2002-03 Actual (b)	Unexpended (Over Expended)
Public Lands Management						
5.0.1 Land Policy	3,892	3,892	-	3,892	1,540	2,352
5.0.2 Land Dispositions and Technical Services						
- Operating Expense	5,633	5,633	-	5,633	6,396	(763)
- Capital Investment	-	-	-	-	54	(54)
5.0.3 Resource Data						
- Operating Expense	6,955	6,955	-	6,955	6,895	60
- Capital Investment	-	-	-	-	457	(457)
5.0.4 Land Use Operations	13,618	13,618	-	13,618	12,633	985
5.0.5 Rangeland Management						
- Operating Expense	8,317	8,317	-	8,317	9,131	(814)
- Capital Investment	-	-	-	-	373	(373)
5.0.6 Amortization of Capital Assets	1,400	1,400	-	1,400	1,583	(183)
5.0.7 Nominal Sum Disposals	2,000	2,000	-	2,000	504	1,496
	41,815	41,815	-	41,815	39,566	2,249
Reporting Agencies						
6.1 Surface Rights and Land Compensation Board						
6.1.1 Surface Rights and Land Compensation Board	1,865	1,865	-	1,865	2,413	(548)
6.2 Assistance to Natural Resources Conservation Board						
6.2.1 Natural Resources Conservation Board	2,858	2,858	400	3,258	3,258	-
	4,723	4,723	400	5,123	5,671	(548)
	$ 184,476	$ 184,476	$ 248,275	$ 432,751	$ 411,822	$ 20,929
Program Operating Expense	$ 181,441	$ 181,441	$ 248,275	$ 429,716	$ 403,991	$ 25,725
Program Capital Investment	3,035	3,035	-	3,035	7,831	(4,796)
	$ 184,476	$ 184,476	$ 248,275	$ 432,751	$ 411,822	$ 20,929
Statutory Expenses						
Valuation Adjustments	$ 1,055	$ 1,055	$ -	$ 1,055	$ 228	$ 827

(a) Supplementary Estimates were approved on December 4, 2002 for $229,200 and on March 10, 2003 for $19,075. Treasury Board approval is pursuant to section 24(2) of the *Financial Administration Act*.

(b) Includes achievement bonus amounting to $968.

Schedule to Financial Statements
Salary and Benefits Disclosure
Year ended March 31, 2003

Schedule 6

	2003			2002
	Salary[1]	Benefits & Allowances[2]	Total	Total
Deputy Minister[3]	$ 176,283	$ 50,679	$ 226,962	$ 212,600
Assistant Deputy Ministers				
Fish and Wildlife	128,873	30,225	159,098	163,595
Forest Protection	155,679	22,670	178,349	144,831
Land and Forest	150,903	9,521	160,424	94,518
Public Lands[4]	129,309	39,172	168,481	-
Strategic Corporate Services[5][6]	133,578	31,653	165,231	50,142
Executive Directors				
Policy and Planning	82,768	14,869	97,637	89,463
Regional Office Northwest	94,626	17,788	112,414	93,125
Regional Office Northeast[4]	97,612	27,986	125,598	97,585
Regional Office Southwest	97,612	16,054	113,666	97,920
Regional Office Southeast[4]	90,858	17,131	107,989	86,431
Director, Human Resource Services[5]	79,634	18,072	97,706	127,646

Total salary and benefits relating to a position are disclosed.

(1) Salary includes regular base pay, bonuses, overtime and lump sum payments.

(2) Benefits and allowances include the government's share of all employee benefits and contributions or payments made on behalf of employees including pension, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships and tuition fees.

(3) Automobile provided, no dollar amount included in benefits and allowances.

(4) Benefits and allowances include vacation payments to the Assistant Deputy Minister, Public Lands $8,955 and two Regional Executive Directors $9,531.

(5) The incumbent's services are shared with the Department of Environment which contributes its own share of the cost of salary and benefits. Full salary and benefits are disclosed in this schedule.

(6) The Assistant Deputy Minister of Strategic Corporate Services position was created in 2001 and filled on November 20, 2001.

Schedule to Financial Statements
Related Party Transactions
Year ended March 31, 2003
(in thousands)

Schedule 7

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Department.

The Department and its employees paid or collected certain taxes and fees set by regulation for permits, licences and other charges. These amounts were incurred in the normal course of business, reflect charges applicable to all users, and have been excluded from this Schedule.

The Department had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2003	2002	2003	2002
Revenues				
Grants	$ 96,563	$ 44,703	$ -	$ -
Fees and charges	-	-	16	24
	$ 96,563	$ 44,703	$ 16	$ 24
Expenses - Directly Incurred				
Grants	$ 259,585	$ 140,780	$ -	$ -
Other Services	-	-	8,290	6,784
	$ 259,585	$ 140,780	$ 8,290	$ 6,784
Capital Assets Transferred	$ -	$ -	$ 2,437	$ 16,996
Receivable From	$ 20,602	$ 44,703	$ 307	$ 263
Payable To	$ 83,525	$ 41,535	$ -	$ -

The above transactions do not include support service arrangement transactions disclosed in Schedule 3.

The Department also had the following transactions with related parties for which no consideration was exchanged. The amounts for these related party transactions are estimated based on the costs incurred by the service provider to provide the service. These amounts are not recorded in the financial statements but are disclosed in Schedule 8.

	Entities in the Ministry		Other Entities	
	2003	2002	2003	2002
Expenses - Incurred by Others				
Accommodation	$ -	$ -	$ 15,337	$ 14,258
Legal	-	-	702	482
	$ -	$ -	$ 16,039	$ 14,740

Schedule to Financial Statements
Allocated Costs
Year ended March 31, 2003
(in thousands)

Schedule 8

Program	2003 Expenses[1]	Expenses-Incurred by Others: Accommodation Costs	Expenses-Incurred by Others: Legal Services	Valuation Adjustments: Vacation Pay	Valuation Adjustments: Doubtful Accounts	2003 Expenses	2002 Expenses
Ministry Support Services	$ 12,276	$ 958	$ 31	$ 150	$ -	$ 13,415	$ 7,050
Forest Protection	283,940	4,405	125	(53)	386	288,803	163,412
Forest Land and Resource Management	23,565	2,392	112	(97)	323	26,295	28,980
Fish and Wildlife Management	35,463	3,701	108	(223)	-	39,049	42,867
Public Lands Management	36,595	3,707	152	(315)	105	40,244	43,140
Reporting Agencies	5,671	174	-	(49)	-	5,796	5,229
Other	6,481	-	174	-	1	6,656	5,620
	$ 403,991	$ 15,337	$ 702	$ (587)	$ 815	$ 420,258	$ 296,298

(1) Expenses - Directly Incurred as per Statement of Operations, excluding valuation adjustments.

AUDITOR GENERAL *Alberta*

To the Minister of Sustainable Resource Development

I have audited the statement of financial position of the Environmental Protection and Enhancement Fund as at March 31, 2003 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Environmental Protection and Enhancement Fund is required to follow the corporate government accounting policies and reporting practices established by Alberta Finance, including the following policy that is an exception from Canadian generally accepted accounting principles. Capital asset purchases under $15,000 have been expensed in the year acquired and have not been recognized as assets in the accompanying statement of financial position. Consequently, the annual amortization of these assets has not been recognized in the statement of operations. Since the Fund does not separately identify expenses that are capital in nature, the amount of the misstatement cannot reasonably be determined; however, I believe it to be material.

In my opinion, except for the effects of the matter discussed in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

FCA
Auditor General

Edmonton, Alberta
May 23, 2003

Statement of Operations
Year ended March 31, 2003
(in thousands)

	2003		2002
	Budget	Actual	Actual
Revenues			
Transfer from the Department (Note 10)	$ 74,613	$ 362,515	$ 199,001
Investment Income	6,700	2,507	2,834
Other Revenue	4,350	1,219	1,454
	85,663	366,241	203,289
Expenses			
Environment Statutory Programs	7,250	3,681	4,016
Natural Resources Emergency Program			
Forest Fires	43,417	265,402	153,185
Forest Health Program	500	514	486
Intercept Feeding and Fencing	80	81	39
	51,247	269,678	157,726
Net Operating Results	$ 34,416	$ 96,563	$ 45,563

The accompanying notes and schedules are part of these financial statements.

Statement of Financial Position

March 31, 2003
(in thousands)

	2003	2002
Assets		
Cash (Note 3)	$ 110,433	$ 174,095
Accounts Receivable (Note 4)	83,625	41,574
Buildings Held for Resale	1,111	1,111
	$ 195,169	$ 216,780
Liabilities		
Accounts Payable and Accrued Liabilities	$ 24,692	$ 47,147
Unearned Revenue	6,606	6,387
Provision for Cell Monitoring and Remediation (Note 5)	996	996
Provision for Future Removal and Site Restoration (Note 6)	12,875	12,250
	45,169	66,780
Net Assets		
Net Assets at Beginning of Year	150,000	149,140
Net Operating Results	96,563	45,563
Transfer to Department of Sustainable Resource Development	(96,563)	(44,703)
Net Assets at End of Year (Note 9)	150,000	150,000
	$ 195,169	$ 216,780

The accompanying notes and schedules are part of these financial statements.

Statement of Changes in Financial Position

Year ended March 31, 2003

(in thousands)

	2003	2002
Operating Transactions		
Net Operating Results	$ 96,563	$ 45,563
Decrease (Increase) in Accounts Receivable	(42,051)	15,673
Increase (Decrease) in Accounts Payable and Accrued Liabilities	(22,455)	41,004
Increase (Decrease) in Unearned Revenue	219	(630)
Increase in Provision for Future Removal and Site Restoration	625	625
Cash Provided by Operating Transactions	32,901	102,235
Financing Transactions		
Transfer to Department of Sustainable Resource Development	(96,563)	(44,703)
Net Cash Provided (Used)	(63,662)	57,532
Cash, Beginning of Year	174,095	116,563
Cash, End of Year	$ 110,433	$ 174,095

The accompanying notes and schedules are part of these financial statements.

Note 1

Authority and Purpose

The Environmental Protection and Enhancement Fund (the Fund) operates under the authority of the *Environmental Protection and Enhancement Act* (EPEA), Chapter E-12, Revised Statutes of Alberta 2000.

The Fund is comprised of the following components:

Land Reclamation

Natural Resources Emergency Program

Special Waste Management Program

On March 19, 2001, an Order in Council delegated the responsibility for section 30 of the EPEA to the common responsibility of the Ministry of Environment and the Ministry of Sustainable Resource Development. The Environmental Protection and Enhancement Fund is a component of this Act and is the financial administrative responsibility of the Ministry of Sustainable Resource Development.

Note 2

Summary of Significant Accounting Policies and Reporting Practices

The recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants are the primary source for the disclosed basis of accounting. Recommendations of the Accounting Standards Board of the Canadian Institute of Chartered Accountants, other authoritative pronouncements, accounting literature, and published financial statements relating to either the public sector or analogous situations in the private sector are used to supplement the recommendations of the Public Sector Accounting Board where it is considered appropriate. These financial statements are prepared in accordance with the following accounting policies that have been established by government.

(a) Reporting Entity

The reporting entity is the Fund which is part of the Ministry of Sustainable Resource Development (the Ministry). The Minister of Sustainable Resource Development is accountable for the Fund's financial administration. Other entities reporting to the Minister include the Department of Sustainable Resource Development and the Natural Resources Conservation Board. The activities of these organizations are not included in these financial statements.

The Ministry Annual Report provides a more comprehensive accounting of the financial position and results of the Ministry's operations for which the Minister is accountable.

(b) Basis of Financial Reporting

Revenues

All revenues are reported on the accrual method of accounting. Cash received for which goods or services have not been provided by year end is recorded as unearned revenue.

Internal Government Transfers

Internal government transfers are transfers between entities within the government reporting entity where the entities making the transfer do not receive any goods or services directly in return.

Expenses

Expenses represent the costs of resources consumed during the year on the Fund's operations.

Assets

Buildings held for resale are recorded at the lower of cost and net realizable value.

Liabilities

Liabilities represent all financial claims payable by the Fund at fiscal year end.

Net Assets

Net assets represent the difference between the carrying value of assets held by the Fund and its liabilities.

Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of cash, accounts receivable, and accounts payable and accrued liabilities are estimated to approximate their carrying values.

Note 3

Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income to depositors while maintaining maximum security and liquidity of depositors' capital.

Note 4

Accounts Receivable

	2003	2002
Department of Sustainable Resource Development	$ 83,525	$ 41,535
Other	100	39
	$ 83,625	$ 41,574

Note 5

Provision for Cell Monitoring and Remediation

The Fund provides a grant to the Ministry of Environment which is responsible for maintaining the integrity of landfill cells at the Swan Hills Waste Treatment Plant. When transferred to the Fund on November 1, 1998, the estimated obligation for required future cell monitoring, repair, or replacement was $1,050. In 2003 the Fund expensed $35 in the Special Waste Management Program to fulfill its monitoring duties.

Note 6

Provision for Future Removal and Site Restoration

The responsibility for section 30 of the *Environmental Protection and Enhancement Act* is the common responsibility of the Minister of Sustainable Resource Development and the Minister of Environment. Therefore, the Fund includes the liability for site remediation upon closure of the Swan Hills Waste Treatment Plant.

As at March 31, 1998, $9,750 had been amortized. The remaining $11,250 of unamortized costs is being amortized at $625 per year over the remaining 18 years. Because decommissioning methods and cost assumptions can change, these estimates may decrease or increase by a material amount.

Effective December 31, 2000, BOVAR returned the Swan Hills Waste Treatment Plant to Alberta Environment. The Alberta government has contracted with a private sector company to operate the plant. Operating results of the plant are reported by the Department of Infrastructure.

Note 7

Commitments

As at March 31, 2003, the Fund has the following commitments:

	2003	2002
Service contracts	$ 93,780	$ 102,650
Long-term leases (a)	1,654	1,971
	$ 95,434	$ 104,621

(a) The Fund leases certain equipment under operating leases that expire on various dates up to 2008. The aggregate amounts payable for the unexpired terms of leases are as follows:

2004	$ 632
2005	477
2006	267
2007	168
2008	110
	$ 1,654

Note 8

Contingencies

In 2001, Smoky River Coal Ltd. (SRCL) declared bankruptcy. As a result, the Fund cashed the $7,136 letter of credit that SRCL had provided to the Department of Sustainable Resource Development. The letter of credit was intended to cover reclamation work in the event that SRCL was unable to perform the work itself. Issues such as determining the level of site reclamation required, determining shared responsibility with related parties, and the assumption of some of the reclamation work by subsequent operators of the site need to be resolved. As a result, an estimate of the costs of SRCL site reclamation for which the Fund is contingently liable cannot be made at this time.

Note 9

Surplus

The Net Assets for the Fund are capped at $150,000 as per an Alberta Finance directive.

Note 10

Transfer from the Department

The following revenue was received or is receivable from the Department of Sustainable Resource Development:

	2003	2002
Revenue in excess of Department's Base Revenue (a)	$ 106,188	$ 60,529
Fire Fighting Grant Revenue	30,317	39,472
Supplementary Estimate:		
Forest Fires	226,010	99,000
	$ 362,515	$ 199,001

(a) All revenue received by the Department that is in excess of the Department's base revenue of $51,482 (2002, $51,482). Revenue includes insurance proceeds of $50,063.

Note 11

Salary and Benefits Disclosure

The Province's salary and benefit disclosure requirements for the Executives are disclosed in the financial statements of the Department of Sustainable Resource Development.

Note 12

Budget Figures

The revenue and expenditure budget amounts disclosed in these financial statements agree with the 2002-2003 Government Estimates.

Note 13

Approval of Financial Statements

The financial statements were approved by the Senior Financial Officer and the Deputy Minister.

Schedule to Financial Statements
Expense Detailed by Object
Year ended March 31, 2003
(in thousands)

	2003		2002
	Budget	Actual	Actual
Salaries, Wages and Employee Benefits	$ 13,360	$ 32,928	$ 27,549
Supplies and Services	30,637	231,888	126,208
Grants	7,250	4,426	3,969
Financial Transactions and Other	-	436	-
Total Expenses	$ 51,247	$ 269,678	$ 157,726

Schedule to Financial Statements
Related Party Transactions
Year ended March 31, 2003
(in thousands)

Related parties are those entities consolidated or accounted for on a modified equity basis in the Province of Alberta's financial statements. Related parties also include management in the Fund.

The Fund had the following transactions with related parties recorded on the statement of operations at the amount of consideration agreed upon between the related parties:

	Entities in the Ministry		Other Entities	
	2003	2002	2003	2002
Revenues				
Transfer from the Department	$ 106,188	$ 60,529	$ -	$ -
Grants from the Department	256,327	138,472	-	-
	$ 362,515	$ 199,001	$ -	$ -
Expenses - Directly Incurred				
Other Services	$ -	$ -	$ 4,476	$ 4,870
Receivable From	$ 83,525	$ 41,535	$ -	$ -
Payable To	$ 20,602	$ 44,703	$ 878	$ 646

AUDITOR GENERAL *Alberta*

To the Members of the Natural Resources Conservation Board

I have audited the statement of financial position of the Natural Resources Conservation Board as at March 31, 2003 and the statements of operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2003 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Fred J. Dunn

FCA
Auditor General

Edmonton, Alberta
May 20, 2003

Statement of Operations
Year ended March 31, 2003

	2003 Budget (Note 5)	2003 Actual	2002 Actual
Revenues			
Transfer from the Department of Sustainable Resource Development	$ 2,858,000	$ 3,258,000	$ 2,308,000
Interest	60,000	54,803	75,309
Other	1,000	1,902	7,109
	2,919,000	3,314,705	2,390,418
Expenses (Note 2c and Schedule)			
Salaries and employee benefits (Note 6, 7)	2,230,800	3,215,107	1,172,679
Travel and automobile	305,700	478,829	117,969
Transcripts and office	180,000	295,208	113,214
Consulting and professional fees	30,000	213,288	106,422
Amortization of capital assets	50,000	132,943	31,785
Telecommunications	20,000	75,097	16,972
Technical proficiency and training (Note 7)	57,000	60,711	18,821
Advertising and communications	13,000	35,588	10,425
Hearing room rent and parking	8,400	6,157	3,750
Postage, freight and courier	7,500	3,377	7,402
	2,902,400	4,516,305	1,599,439
Net Operating Results	$ 16,600	$ (1,201,600)	$ 790,979

The accompanying notes and schedule are part of these financial statements.

Statement of Financial Position
March 31, 2003

	2003	2002
ASSETS		
Cash (Note 3)	$ 567,563	$ 1,799,118
Accounts Receivable	56,656	19,276
Current Assets	624,219	1,818,394
Capital Assets (Note 4)	505,027	322,335
	$ 1,129,246	$ 2,140,729
LIABILITIES AND NET ASSETS		
Accounts payable	$ 363,137	$ 173,020
Net Assets at Beginning of Year	1,967,709	1,176,730
Net Operating Results	(1,201,600)	790,979
Net Assets at End of Year	766,109	1,967,709
	$ 1,129,246	$ 2,140,729

The accompanying notes and schedule are part of these financial statements.

Statement of Changes in Financial Position
Year ended March 31, 2003

Cash provided by (used in):	2003	2002
Operating activities		
Net Operating Results	$ (1,201,600)	$ 790,979
Non-cash expense:		
Amortization	132,943	31,785
	(1,068,657)	822,764
Changes in operating non-cash working capital:		
Accounts receivable	(37,380)	(17,470)
Accounts payable	190,117	114,732
	(915,920)	920,026
Investing activities		
Acquisition of capital assets	(315,635)	(297,190)
Net (decrease) increase in cash during the year	(1,231,555)	622,836
Cash, Beginning of year	1,799,118	1,176,282
Cash, End of year	$ 567,563	$ 1,799,118

The accompanying notes and schedule are part of these financial statements.

Note 1

Authority and Purpose

The Natural Resources Conservation Board (the "NRCB") operates under the authority of the *Natural Resources Conservation Board Act*, Chapter N-3, RSA 2000. The NRCB provides for an impartial process to review projects that will or may affect the natural resources of the Province of Alberta.

Commencing January 1, 2002 the NRCB became responsible for the approval, monitoring and compliance of livestock confined feeding operations and manure management under the authority of Part 2 of the *Agricultural Operation Practices Act*, Chapter A-7, RSA 2000.

Note 2

Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(a) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Assets are amortized over their estimated useful lives commencing in the month following acquisition, using the following annual rates and methods:

Computer hardware	-	33 1/3% straight line
Computer software	-	100% straight line
Office equipment	-	20% declining balance
Office furniture	-	20% declining balance

(b) Revenue Recognition

Operating transfers are recorded as revenue in the years for which they are approved. All revenues are reported on the accrual method of accounting.

(c) Expenses

Directly Incurred

Directly incurred expenses are those costs the NRCB has primary responsibility and accountability for, as reflected in the budget.

In addition to expenses like salaries, supplies, etc., directly incurred expenses also include:

- amortization of capital assets,
- pension costs which comprise the cost of employer contributions and pay in lieu for current service of employees during the year.

Incurred by Others

Services contributed by other entities in support of NRCB's operations are disclosed in Note 8 and in the Schedule.

(d) Valuation of Financial Assets and Liabilities

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of accounts receivable and accounts payable are estimated to approximate their book values.

(e) Net Assets/Net Liabilities

Net assets/net liabilities represents the difference between the value of assets held by the NRCB and its liabilities.

Note 3

Cash

Cash consists of a deposit in the Consolidated Cash Investment Trust Fund which is managed by Alberta Finance to provide competitive interest income while maintaining maximum security and liquidity of depositors' capital.

Note 4

Capital Assets

	2003			2002
	Cost	Accumulated Amortization	Net	Net
Computer hardware	$ 433,560	$ 145,090	$ 288,470	$ 201,115
Computer software	45,812	14,657	31,155	8,134
Office equipment	43,171	12,259	30,912	17,912
Office furniture	272,946	118,456	154,490	95,174
	$ 795,489	$ 290,462	$ 505,027	$ 322,335

Note 5

Budget

In January 2002, Treasury Board approved a 2003 budget of $2,919,000 consisting of $2,902,400 as an operating expense and $16,600 for the purchase of capital assets. In January 2003, Treasury Board approved a supplementary transfer of $400,000 (2002: $932,000) and a further spending of $1,600,000 from the NRCB's surplus for a total spending target for 2003 of $4,919,000 to carry out NRCB's mandates for the regulation of CFOs and the review of large projects.

Note 6

Pension

All eligible employees of the NRCB, except the Board Members, belong to a defined contribution pension plan administered by the NRCB and managed by Clarica.

Pension expense of $165,127 (2002 - $73,371) is included in the Statement of Operations within salaries and employee benefits. Pension expense comprises the cost of employer contributions and pay in lieu for current service of employees during the year.

The NRCB participates in the Management Employees Pension Plan. The NRCB also participates in the multiemployer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is a total of $64,709 (2002 - $16,486) for the year ended March 31, 2003.

At December 31, 2002, the Management Employees Pension Plan reported a deficiency of $301,968,000 (2001 - surplus $5,338,000). At December 31, 2002, the Supplementary Retirement Plan for Public Service Managers had a surplus of $9,152,000 (2001 - deficiency of $399,000).

Note 7

Salaries and Benefits

	2003			2002
	Salary[a]	Benefits and Allowances[b]	Total	Total
Chair[c]	$ 135,690	$ 47,779	$ 183,469	$ 81,146
Board Member 1[d][e]	76,195	30,561	106,756	-
Board Member 2[d][e]	76,195	27,341	103,536	-
Board Member 3[d][f]	60,861	23,323	84,184	-
Board Member 4[d][g]	47,240	14,631	61,871	-
Board Member 5[h]	112,180	23,718	135,898	121,599

(a) Includes all regular base salary and bonuses.

(b) Includes the NRCB's share of all payments to, or on behalf of, Board Members, including pension, health benefits, professional membership, WCB premiums and payments in lieu of vacation. The NRCB is a participant in the Alberta Energy and Utilities Board (EUB) flexible health benefit plan.

(c) The Chair was provided with a vehicle for which no amount is included in these figures.

(d) Board Members who have been appointed by Order in Council, O.C. 331/2002.

(e) Commenced full-time employment on July 22, 2002.

(f) Commenced employment on a part-time basis on July 22, 2002 and became full-time on November 15, 2002.

(g) Commenced employment on a part-time basis on July 22, 2002.

(h) Internal appointment as full-time Acting Board Member effective November 1, 2002.

Note 8

Shared Services with EUB

Expense	Contribution to EUB	Contribution from EUB
Manpower	$ 66,093	$ 5,866
Travel and Other Expenses	1,628	-
Totals 2002-2003	$ 67,721	$ 5,866
Totals 2001-2002	$ 107,058	$ 38,479

The Contribution from EUB is recorded as Shared Services on the Schedule of Allocated Costs.

The NRCB has a Memorandum of Understanding ("MOU") with the EUB to share resources on an on-going basis. Under the MOU, the NRCB is both a service provider and a service recipient. As the service recipient, the NRCB receives manpower resources at no cost with the exception of human resources services.

Note 9

Related Party Transactions

Certain expenses for office space and equipment on behalf of the NRCB by Alberta Environment (AENV) are not reflected in the financial statements. NRCB employs one staff member at the AENV Call Centre who takes calls dealing with environmental concerns which benefits both organizations. In return, NRCB is able to respond to environmental issues outside of office hours without the expense of setting up its own infrastructure and additional manpower to create this service only for the NRCB.

The NRCB received $3,258,000 (2002 - $2,308,000) in Transfers from the Department of Sustainable Resource Development.

During the current year, the NRCB paid $510,714 (2002 - $202,035) to various Government of Alberta departments and agencies for supplies and/or services. The NRCB contributed $67,721 (2002 - $107,058) in shared services to the EUB as per Note 8.

Certain expenses for office space incurred on behalf of the NRCB by Alberta Infrastructure are reflected in Schedule. These expenses amount to approximately $308,205 (2002 - $162,495). In addition, the NRCB received contributed services from the EUB of $5,866 (2002 - $38,479) and $192,800 (2002 - $48,200) from Alberta Agriculture as shown in Schedule.

Note 10

Comparative Figures

Certain 2002 figures have been reclassified to conform to the 2003 presentation.

Note 11

Approval of Financial Statements

These financial statements were approved by the Board.

Schedule to the Financial Statements
Allocated Costs
Year ended March 31, 2003

Schedule

Projects	2003 Expenses	2003 Expenses Incurred by Others: Office Costs[1]	2003 Expenses Incurred by Others: Shared Services[2]	2003 Total Expenses	2002 Total Expenses
Confined Feeding Operations					
Approvals	$ 1,538,526	$ 104,993	$ 99,333	$ 1,742,852	$ 785,204
Compliance	1,508,120	102,918	99,333	1,710,371	540,876
Reviews	1,076,542	73,466	-	1,150,008	-
Other NRCB Business[3]	165,351	11,284	-	176,635	173,187
Glacier	133,338	9,099	-	142,437	70,984
EUB[4]	83,709	5,713	-	89,422	160,386
Highwood Storage	10,719	732	-	11,451	117,976
	$ 4,516,305	$ 308,205	$ 198,666	$ 5,023,176	$ 1,848,613

(1) See Note 9, Related Party Transactions.

(2) Shared services comprise manpower services from the EUB and Alberta Agriculture of $5,866 and $184,800 respectively, as well as $8,000 for administrative support and other miscellaneous costs from Alberta Agriculture.

(3) Other NRCB Business comprises expenses related to past and potential projects, research, external meetings and professional development.

(4) EUB includes a portion of the NRCB's indirect overhead costs. The shared services contribution shown in Note 8 records only direct costs.

Department of Sustainable Resource Development

Schedule of Remissions, Compromises and Write-Offs

For the year ended March 31, 2003

(unaudited)

(in thousands)

The following statement has been prepared pursuant to Section 23 of the *Financial Administration Act*. The statement includes all remissions, compromises and write-offs made or approved during the fiscal year.

	2002-2003
Remission under Section 21 of the *Financial Administration Act*:	$ 161
Compromises under Section 22 of the *Financial Administration Act*:	-
Write-offs:	
Departmental Accounts Receivable	36
Total remissions, compromises and write-offs	$ 197

Alphabetical List of Entities' Financial Statements In Ministry 2002-2003 Annual Reports

Entities Included in the Consolidated Government Reporting Entity

Ministry, Department, Fund or Agency	Ministry Annual Report
Agriculture Financial Services Corporation	Agriculture, Food and Rural Development
Alberta Alcohol and Drug Abuse Commission	Health and Wellness
Alberta Energy and Utilities Board	Energy
Alberta Foundation for the Arts	Community Development
Alberta Gaming and Liquor Commission	Gaming
Alberta Government Telephones Commission, The	Finance
Alberta Heritage Foundation for Medical Research Endowment Fund	Revenue
Alberta Heritage Savings Trust Fund	Revenue
Alberta Heritage Scholarship Fund	Revenue
Alberta Heritage Science and Engineering Research Endowment Fund	Revenue
Alberta Historical Resources Foundation, The	Community Development
Alberta Insurance Council	Finance
Alberta Municipal Financing Corporation	Finance
Alberta Pensions Administration Corporation	Finance
Alberta Petroleum Marketing Commission	Energy
Alberta Research Council Inc.	Innovation and Science
Alberta Risk Management Fund	Revenue
Alberta School Foundation Fund	Learning
Alberta Science and Research Authority	Innovation and Science
Alberta Securities Commission	Revenue
Alberta Social Housing Corporation	Seniors
Alberta Sport, Recreation, Parks and Wildlife Foundation	Community Development
Alberta Treasury Branches	Finance
ATB Investment Services Inc.	Finance
Child and Family Services Authorities:	
Awasak Child and Family Services Authority	Children's Services
Calgary Rocky View Child and Family Services Authority	
Child and Family Services Authority Region 13	
Child and Family Services Authority Region 14	
Diamond Willow Child and Family Services Authority	
Hearthstone Child and Family Services Authority	
Keystone Child and Family Services Authority	

Ma' Mowe Capital Region Child and Family Services Authority	
Metis Settlements Child and Family Services Authority	
Neegan Awas'sak Child and Family Services Authority	
Ribstone Child and Family Services Authority	
Sakaigun Asky Child and Family Services Authority	
Sakaw-Askiy Child and Family Services Authority	
Silver Birch Child and Family Services Authority	
Southeast Alberta Child and Family Services Authority	
Sun Country Child and Family Services Authority	
West Yellowhead Child and Family Services Authority	
Windsong Child and Family Services Authority	
Credit Union Deposit Guarantee Corporation	Finance
Crop Reinsurance Fund of Alberta	Agriculture, Food and Rural Development
Department of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Department of Children's Services	Children's Services
Department of Community Development	Community Development
Department of Energy	Energy
Department of Finance	Finance
Department of Gaming	Gaming
Department of Health and Wellness	Health and Wellness
Department of Innovation and Science	Innovation and Science
Department of Learning	Learning
Department of Revenue	Revenue
Department of Seniors	Seniors
Department of Solicitor General	Solicitor General
Department of Sustainable Resource Development	Sustainable Resource Development
Environmental Protection and Enhancement Fund	Sustainable Resource Development
Gainers Inc.	Finance
Government House Foundation, The	Community Development
Historic Resources Fund	Community Development
Human Rights, Citizenship and Multiculturalism Education Fund	Community Development
iCORE Inc.	Innovation and Science
Lottery Fund	Gaming
Ministry of Aboriginal Affairs and Northern Development[1]	Aboriginal Affairs and Northern Development
Ministry of Agriculture, Food and Rural Development	Agriculture, Food and Rural Development
Ministry of Children's Services	Children's Services

[1] Ministry includes only the department so separate department financial statements are not necessary.

Ministry of Community Development	Community Development
Ministry of Economic Development[1]	Economic Development
Ministry of Energy	Energy
Ministry of Environment[1]	Environment
Ministry of Finance	Finance
Ministry of Executive Council[1]	Executive Council
Ministry of Gaming	Gaming
Ministry of Government Services[1]	Government Services
Ministry of Health and Wellness	Health and Wellness
Ministry of Human Resources and Employment[1]	Human Resources and Employment
Ministry of Infrastructure[1]	Infrastructure
Ministry of Innovation and Science	Innovation and Science
Ministry of International and Intergovernmental Relations[1]	International and Intergovernmental Relations
Ministry of Justice[1]	Justice
Ministry of Learning	Learning
Ministry of Municipal Affairs[1]	Municipal Affairs
Ministry of Revenue	Revenue
Ministry of Seniors	Seniors
Ministry of Solicitor General	Solicitor General
Ministry of Sustainable Resource Development	Sustainable Resource Development
Ministry of Transportation[1]	Transportation
N.A. Properties (1994) Ltd.	Finance
Natural Resources Conservation Board	Sustainable Resource Development
Persons with Developmental Disabilities Boards: Calgary Region Community Board Central Region Community Board Edmonton Region Community Board Michener Centre Facility Board[2] Northeast Region Community Board Northwest Region Community Board Provincial Board South Region Community Board	Community Development
Provincial Judges and Masters in Chambers Reserve Fund	Finance
Supplementary Retirement Plan Reserve Fund	Finance
Victims of Crime Fund	Solicitor General
Wild Rose Foundation, The	Community Development

[2] Dissolved July 23, 2002

Entities Not Included in the Consolidated Government Reporting Entity

Fund or Agency	Ministry Annual Report
Alberta Cancer Board	Health and Wellness
Alberta Foundation for Health Research	Innovation and Science
Alberta Heritage Foundation for Medical Research	Innovation and Science
Alberta Heritage Foundation for Science and Engineering Research	Innovation and Science
Alberta Mental Health Board	Health and Wellness
Alberta Teachers' Retirement Fund Board	Learning
Improvement Districts' Trust Account	Municipal Affairs
Local Authorities Pension Plan	Finance
Long-Term Disability Income Continuance Plan - Bargaining Unit	Human Resources and Employment
Long-Term Disability Income Continuance Plan - Management, Opted Out and Excluded	Human Resources and Employment
Management Employees Pension Plan	Finance
Provincial Judges and Masters in Chambers Pension Plan	Finance
Public Post Secondary Institutions	Learning
Public Service Management (Closed Membership) Pension Plan	Finance
Public Service Pension Plan	Finance
Regional Health Authorities	Health and Wellness
School Boards	Learning
Special Areas Trust Account, The	Municipal Affairs
Special Forces Pension Plan	Finance
Supplementary Retirement Plan for Provincial Judges and Masters in Chambers	Finance
Supplementary Retirement Plan for Public Service Managers	Finance
Workers' Compensation Board	Human Resources and Employment